

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Finance and Administration Cabinet

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Members of the Warren 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 Warren 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 Warren 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 Warren 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 Warren 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

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

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The Honorable Michael O. Buchanon, Warren County Judge/Executive

Members of the Warren County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019, on our consideration of the Warren 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 Warren 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 findings:

- 2018-001 The Jailer Did Not Maintain A Comprehensive Summary Of Inmate Accounts
- 2018-002 Original Budget And Amendments Do Not Agree To Final Budget Reported On Fourth Quarter Report
- 2018-003 The Warren County Fiscal Court Did Not Maintain Accurate Capital Asset Records

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 13, 2019

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

Michael O. Buchanon	County Judge/Executive
Doug Gorman	Magistrate
Darrell Traughber	Magistrate
Tony Payne	Magistrate
Tom Lawrence	Magistrate
Mark Young	Magistrate
Rex McWhorter	Magistrate

Other Elected Officials:

Amy Hale Milliken	County Attorney
Stephen Harmon	Jailer
Lynette Yates	County Clerk
Brandi Duvall	Circuit Court Clerk
Jerry Gaines	Sheriff
Bob Branstetter	Property Valuation Administrator
Kevin Kirby	Coroner

Appointed Personnel:

Greg Burrell	County Treasurer
Marie Smith	Deputy Judge/Executive
Brenda Hale	Fiscal Court Clerk
Jerry Young	Road Supervisor

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

For The Year Ended June 30, 2018

WARREN 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	\$ 18,813,463	\$	\$
In Lieu Tax Payments	208,197		
Excess Fees	1,254,185		
Licenses and Permits	1,755,277		
Intergovernmental	3,615,277	2,587,553	5,475,502
Charges for Services	227,498		337,901
Miscellaneous	743,705	801	791,942
Interest	535,311		1,817
Total Receipts	27,152,913	2,588,354	6,607,162
DISBURSEMENTS			
General Government	9,512,387		
Protection to Persons and Property	1,616,560		6,101,018
General Health and Sanitation	416,857		
Social Services	203,221		
Recreation and Culture	3,859,229		
Roads		2,423,970	
Airports	130,000		
Debt Service	1,884,364		458,778
Capital Projects	9,453,234		
Administration	2,075,904	500,184	1,502,671
Total Disbursements	29,151,756	2,924,154	8,062,467
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,998,843)</u>	<u>(335,800)</u>	<u>(1,455,305)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	8,295,000		
Net Premium (Discount) on Bond Issuance	308,973		
Transfers From Other Funds			1,302,721
Transfers To Other Funds	<u>(2,735,019)</u>		
Total Other Adjustments to Cash (Uses)	5,868,954		1,302,721
Net Change in Fund Balance	3,870,111	(335,800)	(152,584)
Fund Balance - Beginning (Restated)	<u>37,565,491</u>	<u>415,634</u>	<u>662,073</u>
Fund Balance - Ending	<u>\$ 41,435,602</u>	<u>\$ 79,834</u>	<u>\$ 509,489</u>
Composition of Fund Balance			
Bank Balance	\$ 15,673,251	\$ 83,377	\$ 546,215
Plus: Deposits In Transit			19,918
Less: Outstanding Checks	(181,845)	(3,543)	(56,644)
Cash with Fiscal Agent (Crossover Escrow)			
Certificates of Deposit	11,267,687		
Investments	<u>14,676,509</u>		
Fund Balance - Ending	<u>\$ 41,435,602</u>	<u>\$ 79,834</u>	<u>\$ 509,489</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Grants Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund	Storm Water Fund	Transient Room Tax Fund	Tax Incremental Fund
\$	\$	\$ 233,999	\$	\$	\$ 1,121,736	\$ 1,093,992
378,554	394,240		36,871		244,983	
	2,000			1,110,638		
6,201			242	33,293	90,174	1,422
<u>384,755</u>	<u>396,240</u>	<u>233,999</u>	<u>37,113</u>	<u>1,143,931</u>	<u>1,456,893</u>	<u>1,095,414</u>
210,213	9,250					
14,224		239,789	15,959			
				779,642		
41,050					3,300	
					975,790	1,597,206
	1,034,511					
					204,427	2,200
<u>265,487</u>	<u>1,043,761</u>	<u>239,789</u>	<u>15,959</u>	<u>779,642</u>	<u>1,183,517</u>	<u>1,599,406</u>
119,268	(647,521)	(5,790)	21,154	364,289	273,376	(503,992)
					8,660,000	
					250,382	
	348,239					546,103
	<u>348,239</u>				<u>8,910,382</u>	<u>546,103</u>
119,268	(299,282)	(5,790)	21,154	364,289	9,183,758	42,111
574,423	320,608	36,685	101,426	2,041,137	2,767,036	3,254
<u>\$ 693,691</u>	<u>\$ 21,326</u>	<u>\$ 30,895</u>	<u>\$ 122,580</u>	<u>\$ 2,405,426</u>	<u>\$ 11,950,794</u>	<u>\$ 45,365</u>
\$ 409,478	\$ 24,585	\$ 30,895	\$ 123,110	\$ 324,931	\$ 3,309,002	\$ 45,365
	(3,259)		(530)	(8,185)	(2,200)	
					8,643,992	
101,755				1,341,072		
182,458				747,608		
<u>\$ 693,691</u>	<u>\$ 21,326</u>	<u>\$ 30,895</u>	<u>\$ 122,580</u>	<u>\$ 2,405,426</u>	<u>\$ 11,950,794</u>	<u>\$ 45,365</u>

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

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

	<u>Budgeted Fund</u>	<u>Unbudgeted Funds</u>		<u>Total Funds</u>
	<u>2013B Bond Fund</u>	<u>Justice Center Expansion Corporation Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 21,263,190
In Lieu Tax Payments				208,197
Excess Fees				1,254,185
Licenses and Permits				1,755,277
Intergovernmental		1,184,400		13,917,380
Charges for Services				1,676,037
Miscellaneous			589,361	2,127,809
Interest	5,722		1,086	675,268
Total Receipts	<u>5,722</u>	<u>1,184,400</u>	<u>590,447</u>	<u>42,877,343</u>
DISBURSEMENTS				
General Government				9,731,850
Protection to Persons and Property	329,520			8,317,070
General Health and Sanitation				1,196,499
Social Services				244,271
Recreation and Culture			542,459	4,404,988
Roads				2,423,970
Airports				130,000
Debt Service	537,956	1,183,200		6,637,294
Capital Projects				10,487,745
Administration		1,200		4,286,586
Total Disbursements	<u>867,476</u>	<u>1,184,400</u>	<u>542,459</u>	<u>47,860,273</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(861,754)</u>	<u></u>	<u>47,988</u>	<u>(4,982,930)</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds				16,955,000
Net Premium (Discount) on Bond Issuance				559,355
Transfers From Other Funds	537,956			2,735,019
Transfers To Other Funds				(2,735,019)
Total Other Adjustments to Cash (Uses)	<u>537,956</u>	<u></u>	<u></u>	<u>17,514,355</u>
Net Change in Fund Balance	(323,798)		47,988	12,531,425
Fund Balance - Beginning (Restated)	<u>783,144</u>	<u>4,788</u>	<u>679,939</u>	<u>45,955,638</u>
Fund Balance - Ending	<u>\$ 459,346</u>	<u>\$ 4,788</u>	<u>\$ 727,927</u>	<u>\$ 58,487,063</u>
Composition of Fund Balance				
Bank Balance	\$ 459,346	\$ 4,788	\$ 668,367	\$ 21,702,710
Plus: Deposits In Transit				19,918
Less: Outstanding Checks			(10,536)	(266,742)
Cash with Fiscal Agent (Crossover Escrow)				8,643,992
Certificates of Deposit			70,096	12,780,610
Investments				15,606,575
Fund Balance - Ending	<u>\$ 459,346</u>	<u>\$ 4,788</u>	<u>\$ 727,927</u>	<u>58,487,063</u>

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

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**WARREN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The following entities: Bowling Green SPE, Inc., Bowling Green SPE II, Inc. Southern Kentucky Performing Arts Center, Inc. (SKyPAC), and Warren County Downtown Economic Development Authority, Inc. (DEDA) would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis they are no longer are required components of the reporting entity. Audits of these entities can be obtained from the Warren County Fiscal Court at 429 East 10th Street Suite 200, Bowling Green, Kentucky 42101.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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 mineral and coal receipts from the state and federal governments.

Grants 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 911 Fund - The primary purpose of this fund is to account for the operation of the 911 system. The primary source of receipts for this fund is the 911 telephone surcharge.

Federal Drug Forfeiture Fund - The primary purpose of this fund is to account for additional law enforcement expenses of the Warren County Drug Task Force. The primary sources of receipts for this fund are federal grants, forfeited cash, and the sale of forfeited property.

Storm Water Fund - The primary purpose of this fund is to account for storm water retentions and repairs. The primary source of receipts for this fund is fees assessed on water meters.

Transient Room Tax Fund - The primary purpose of this fund is to account for transient room tax. The primary source of receipts for this fund is the taxes collected which are used to be used solely for the retirement of SKyPAC bonds.

Tax Incremental Fund - The primary purpose of this fund is to account for disbursement of tax incremental financing. The primary source of receipts for this fund is revenue-sharing agreements received from tax incremental financing district. Funds are used for debt service requirement of the SKyPAC 2011 series bonds issued by the fiscal court and the parking garage 2011 series bonds issued by the Warren County Downtown Economic Development Authority, Inc.

2013B Bond Fund - The purpose of this fund is to account for proceeds and debt service requirements of the General Obligation Improvement Bonds, Series 2013B. The primary sources of receipts for this fund are the bond proceeds from issuing the General Obligation Improvement Bonds, Series 2013B and transfers from the general fund for debt service requirements. Funds are used for upgrading the county 911 system, acquiring radios for use by the county, the Smallhouse Roadway Realignment Project, and debt service requirements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center Expansion Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of the First Mortgage Refunding Revenue bonds, Series 2015. The primary source of receipts for this fund is rental from the Administrative Office of the Courts, Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to budget this 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.

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.

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

E. Warren County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Warren 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.

H. Related Organizations, Jointly Governed Organizations, and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organizations governing board. Based on this criteria, the following are considered related organizations of the Warren County Fiscal Court:

Warren County Industrial Development Authority
 South Central Kentucky Regional Development Authority (RDA)
 Southern Kentucky Marketplace, Inc.
 Warren County Cemetery Board
 Warren County Water District

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on this criteria, the Bowling Green/Warren County Regional Airport Board and the Bowling Green Area Convention and Visitors Bureau are considered jointly governed organizations of the Warren County Fiscal Court.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations, Jointly Governed Organizations, and Joint Ventures (Continued)

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the Bowling Green/Warren County Planning Commission and the Inter-Modal Transportation Authority, Inc. are considered joint ventures of the Warren County Fiscal Court.

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The 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.

B. Cash and Investments

As of June 30, 2018, the fiscal court had the following investments and maturities:

I. Cash and Cash Equivalents:

	<u>Cost</u>
Cash	\$ 21,455,886
Cash With Fiscal Agent (Crossover Escrow)	8,643,992
Certificates of Deposit	12,780,610
Total Cash/Cash Equivalents:	<u>\$ 42,880,488</u>

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

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

II. Investments

Type	Cost Basis	Less than 1	1-5	6-10	More than 10
U.S. Government and Agency Bonds	\$ 6,915,005	\$ 101,627	\$ 3,896,909	\$ 2,116,461	\$ 800,008
U.S. Agencies CMOs	77,123				77,123
Municipal Bonds (Kentucky)	8,614,447	151,643	6,214,799	1,483,806	764,199
Total Investments	\$ 15,606,575	\$ 253,270	\$ 10,111,708	\$ 3,600,267	\$ 1,641,330

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$12,780,610 of certificates of deposit and \$15,606,575 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to \$250,000 FDIC coverage limit. In addition, the SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fiscal court is statutorily limited as to credit ratings, at the time of purchase. KRS 66.480 and the fiscal court's investment policy define the following items as permissible investments:

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States Government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by nationally recognized rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- 7) Commercial paper rated in the highest category by a nationally recognized rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
- 10) Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.

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

Note 2. Deposits and Investments (Continued)

B. Cash and Investments (Continued)

- b) The management company of the investment company shall have been in operation for at least five years.
- c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2018, the fiscal court does not have any investments in these categories.

The fiscal court's rated investments, as of June 30, 2018, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Type	Standard & Poor's/Moody's Credit Ratings				Cost Basis
	AAA/Aaa	AA/Aa	A	Unrated/NA	
U.S. Government and Agency Bonds	\$ 6,915,005	\$	\$	\$	\$ 6,915,005
U.S. Agencies CMOs		31,786		45,337	77,123
Municipal Bonds (Kentucky)	773,640	4,482,961	2,265,961	1,091,885	8,614,447
Total Investments	\$ 7,688,645	\$ 4,514,747	\$ 2,265,961	\$ 1,137,222	\$ 15,606,575

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the fiscal court's investment in a single issuer. U.S. Government securities and investments in mutual funds are excluded from this risk. The fiscal court does have 5 percent or more of the fiscal court's investments invested in any single security. More than 5 percent of the fiscal court's investments are in municipal bond KY Asset/Liability. These investments are 11 percent of the fiscal court's total investments.

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

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

Note 3. Transfers

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

	General Fund	Total Transfers In
Jail Fund	\$ 1,302,721	\$ 1,302,721
Grants Fund	348,239	348,239
Tax Incremental Fund	546,103	546,103
2013B Bond Fund	537,956	537,956
Total Transfers Out	<u>\$ 2,735,019</u>	<u>\$ 2,735,019</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. 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 funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$365,127.

Drug Task Force HIDTA Seizure Fund - This fund accounts for funds seized by the Warren County Drug Task Force and is held until the court system issues orders on what to do with the funds. The balance in the seizure fund as of June 30, 2018, was \$16,320.

Flexible Spending Account Fund - This fund accounts for pre-tax deductions used to pay for eligible out-of-pocket health care costs.

Dependent Care Account Fund - This fund accounts for pre-tax deductions used to pay for eligible dependent care services.

Health Reimbursement Account Fund - This fund accounts for country contributions to individual health accounts maintained for each eligible employee.

Note 5. Receivable - Community Action of Southern Kentucky

In September 2007, the Warren County Fiscal Court issued financing obligations of \$820,000 to the Community Action of Southern Kentucky (CASK). Financing proceeds were paid directly to CASK. CASK makes the lease payments directly to the trustee of the note to pay principal and interest. The receivable of \$340,000 reflects the principal amount due from CASK as of June 30, 2018. The amount receivable corresponds to the outstanding debt as of the end of the fiscal year.

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

Note 6. Lease Agreements

A. Enterprise FM Trust

In July 15, 2016, the county entered into a lease agreement with Enterprise FM Trust to lease several vehicles for use by the Warren County Fiscal Court. Enterprise FM Trust will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease only and the county will not have right, title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends either 60 or 48 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. During fiscal year 2018, the county leased 67 vehicles with total lease payments of \$422,010. The lease payments required under the leasing agreement at June 30, 2018 are as follows:

Fiscal Year Ended June 30	Amount
2019	\$ 477,292
2020	422,026
2021	367,541
2022	211,694
2023	<u>57,976</u>
Total Lease Payments	<u>\$ 1,536,529</u>

B. Southern Kentucky Performing Arts Center, Inc.

On December 22, 2011, Warren County subleased the performing arts facility from the Southern Kentucky Performing Arts Center, Inc. (SKyPAC). The lease term ended on June 30, 2013, and will automatically be renewed each year through July 1, 2052, unless notice is given by Warren County not to renew. Warren County's rent will be equivalent to the original lease cost incurred by SKyPAC. After December 22, 2018, the county has an option to acquire the performing arts facility at the greater of fair market value of the performing arts facility or the outstanding original lease obligations and related costs. The minimum lease payments required under the operating lease at June 30, 2018, are as follows:

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

Note 6. Lease Agreements (Continued)

B. Southern Kentucky Performing Arts Center, Inc. (Continued)

Fiscal Year Ended June 30	Amount
2019	\$ 752,500
2020	1,075,000
2021	1,075,000
2022	1,075,000
2023	1,075,000
2024-2028	5,375,000
2029-2033	5,375,000
2034-2038	5,375,000
2039-2043	5,375,000
2044-2048	5,375,000
2049-2052	<u>3,762,500</u>
Total Lease Payments	<u>\$ 35,690,000</u>

C. Warren County Downtown Economic Development Authority, Inc.

The county has entered into a Local Participation Agreement dated May 1, 2012, with the City of Bowling Green (the city), Kentucky and the Warren County Downtown Economic Development Authority (DEDA). The agreement requires DEDA to undertake the acquisition, construction, and operation of the baseball park and parking garage. In return, the city and county pledged 80 percent of identified tax receipts to support the payment of debt service related to the project for a period of up to 30 years.

In March 2015, the Local Participation Agreement was amended and the city agreed to assign all State TIF revenues to the county and to adjust city base revenues in specific blocks within the TIF district. In exchange for the adjusted base revenues, the county will provide an annual, renewable lease to fund city debt service shortfalls. The city also agreed to convert the annual, renewable parking sublease to a General Obligation (G.O.) sublease as part of the permanent bond issue that closed in January 2016. Additionally, the agreement with the original sub-developer was terminated in July 2015, and a new sub-developer was selected to complete construction of the four-story mixed use development and act as the leasing agent for the building. The city considers the previous risk of funding debt shortfalls eliminated with the reassignment of the city's share of state TIF revenues to the county, and the county's pledge to reimburse the city for any shortfalls on debt service of the IRB financing.

The county has entered into an agreement to lease the parking garage from DEDA. The lease payments began in May 2014 for the amount of DEDA's bond payments. If the county renews the lease while the bonds are outstanding and pays the rental payments for each year and the bonds outstanding shall be retired, DEDA will convey the property to Warren County. The minimum lease payments required under the operating lease at June 30, 2018, are as follows:

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

Note 6. Lease Agreements (Continued)

C. Warren County Downtown Economic Development Authority, Inc. (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2019	\$ 160,000	\$ 517,394
2020	170,000	512,594
2021	170,000	507,494
2022	190,000	502,394
2023	205,000	496,219
2024-2028	2,085,000	2,316,363
2029-2033	3,645,000	1,775,700
2034-2038	5,720,000	843,810
Total Lease Payments	<u>\$ 12,345,000</u>	<u>\$ 7,471,968</u>

Note 7. Long-term Debt

A. KADD 2007 Series K - CASK

On September 25, 2007, the Warren County Fiscal Court entered into a lease by participating in a KADD issue (Kentucky Area Development Districts Financing Trust Lease Certificates of Participation) in the amount of \$820,000. Interest payments are due March 20th and September 20th beginning March 20, 2008. Principal payments are due every September 20th beginning September 20, 2008. The final installment is due on September 20, 2022. The effective interest rate is 3.75 percent. The proceeds were disbursed to Community Action of Southern Kentucky (CASK), to acquire, construct, and equip a building to serve low-income families. The county entered into a sublease with CASK simultaneously with the KADD lease. The sublease term and rental payments are the same as those of the county's lease with the KADD. Principal outstanding as of June 30, 2018, totaled \$340,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 60,000	\$ 15,335
2020	65,000	12,273
2021	70,000	8,965
2022	70,000	5,500
2023	75,000	1,875
Totals	<u>\$ 340,000</u>	<u>\$ 43,948</u>

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

Note 7. Long-term Debt (Continued)

B. General Obligation Refunding Bonds, Series 2009

On July 2, 2009, the Warren County Fiscal Court issued obligations of \$4,265,000 to pay the bond issuance costs and to advance refund the General Obligation Improvement Bonds, Series 1999. Principal is payable annually on March 1. The interest rate varies from 1 percent to 3.75 percent with semi-annual interest payments on the first of March and September. The final maturity date of these bonds is March 1, 2020. As of June 30, 2018, the principal balance was \$865,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 425,000	\$ 30,290
2020	440,000	15,840
Totals	<u>\$ 865,000</u>	<u>\$ 46,130</u>

C. General Obligation Refunding Bonds, Series 2009B

On December 1, 2009, the Warren County Fiscal Court issued obligations of \$9,490,000 to pay the bond issuance costs and to advance refund the General Obligation Improvement Bonds, Series 2000. Principal is payable annually on September 1. The interest rate varies from 1 percent to 4 percent with semi-annual interest payments on the first of March and September. The final maturity date of these bonds is September 1, 2029. As of June 30, 2018, the principal balance was \$6,585,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 410,000	\$ 240,285
2020	425,000	227,548
2021	455,000	213,542
2022	470,000	197,720
2023	490,000	180,675
2024-2028	2,870,000	591,427
2029-2030	1,465,000	61,300
Totals	<u>\$ 6,585,000</u>	<u>\$ 1,712,497</u>

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

Note 7. Long-term Debt (Continued)

D. Hotel Tax Revenue Bonds, Series 2010, Build America Bonds Direct Payment – SKyPAC Project

On February 1, 2010, the Warren County Fiscal Court issued obligations of \$10,150,000 to finance a performing arts center for Southern Kentucky Performing Arts Center, Inc. (SKyPAC). Principal is payable annually on July 1. The interest rate varies from 3 percent to 8 percent with semi-annual interest payments on the first of July and January. The bonds are limited obligations of the fiscal court, payable solely from proceeds of the transient room tax and any amounts received from the U.S. Treasury with respect to the Series 2010 Bonds pursuant to Section 6431 of the Internal Revenue Code. These bonds will be refunded by the General Obligations Bonds, Series 2017B as part of a crossover refunding agreement. The county obtained an economic gain of \$2,478,163 from this transaction. The bond proceeds are placed in an escrow account and used to make debt service payments on the Series 2017B refunding bonds until the call date of the Hotel Tax Revenue Bonds, Series 2010. The crossover date is to occur on July 1, 2020. As of June 30, 2018, the principal balance remaining until the crossover date was \$9,665,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 110,000	\$ 745,975
2020	125,000	738,006
2021	145,000	728,218
2022	165,000	716,981
2023	185,000	704,294
2024-2028	1,290,000	3,269,562
2029-2033	2,055,000	2,646,537
2034-2038	3,090,000	1,653,206
2039-2041	2,500,000	309,600
Totals	<u>\$ 9,665,000</u>	<u>\$ 11,512,379</u>

E. General Obligation Bonds, Series 2011 – SKyPAC Project

On November 3, 2011, the Warren County Fiscal Court issued obligations of \$16,000,000 for the purposes of paying the bond issuance costs and acquiring a grant agreement with SKyPAC Lender Inc., a Kentucky nonprofit corporation, for the purpose of financing the acquisition, construction, and installation of a portion of the Southern Kentucky Performing Arts Center. Principal is payable annually on June 1. The interest rate varies from 2 percent to 4.25 percent with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is June 1, 2038. As of June 30, 2018, the principal balance was \$14,470,000. Future principal and interest requirements are:

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

Note 7. Long-term Debt (Continued)

E. General Obligation Bonds, Series 2011 - SKyPAC Project (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 425,000	\$ 559,662
2020	505,000	546,912
2021	550,000	531,762
2022	550,000	515,262
2023	565,000	498,763
2024-2028	3,190,000	2,184,313
2029-2033	3,895,000	1,531,475
2034-2038	4,790,000	787,736
Totals	<u>\$ 14,470,000</u>	<u>\$ 7,155,885</u>

F. General Obligation Refunding Bonds, Series 2013A

On July 17, 2013, the Warren County Fiscal Court issued obligations of \$5,960,000 to pay the bond issuance costs and to advance refund the following debt of the fiscal court: General Obligation Improvement Bonds, Series 2002; General Obligation Improvement Bonds, Series 2004; General Obligation Refunding Bonds, Series 2004B; and KPAD issue (Kentucky Public Agency Development Lease Certificates of Participation). Principal is payable annually on February 1. The interest rate varies from 2 percent to 3.125 percent with semi-annual interest payments on the first of February and August. The final maturity date of these bonds is February 1, 2028. As of June 30, 2018, the principal balance was \$3,460,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 345,000	\$ 91,801
2020	355,000	84,039
2021	365,000	75,607
2022	375,000	66,939
2023	390,000	57,564
2024-2028	1,630,000	144,441
Totals	<u>\$ 3,460,000</u>	<u>\$ 520,391</u>

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

Note 7. Long-term Debt (Continued)

G. General Obligation Improvement Bonds, Series 2013B

On August 15, 2013, the Warren County Fiscal Court issued obligations of \$7,960,000 to pay the bond issuance costs and to finance upgrading the county 911 system, acquiring radios for use by the county, and the Smallhouse Roadway Realignment Project. Principal is payable annually on June 1. The interest rate varies from 1 percent to 4 percent with semi-annual interest payments on the first of December and June. The final maturity date of these bonds is June 1, 2033. As of June 30, 2018, the principal balance was \$6,240,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 345,000	\$ 194,556
2020	350,000	187,656
2021	360,000	180,656
2022	365,000	172,556
2023	375,000	163,431
2024-2028	2,035,000	654,956
2029-2033	2,410,000	289,006
Totals	<u>\$ 6,240,000</u>	<u>\$ 1,842,817</u>

H. First Mortgage Refunding Revenue Bonds (AOC Judicial Facility), Series 2015

On September 24, 2015, the Warren County Justice Center Expansion Corporation (the corporation) issued revenue bonds of \$17,550,000 to pay the bond issuance costs and fully refunding the First Mortgage Revenue Bonds, Series 2005. The 2015 series bonds were issued at various rates from 3.00 percent to 5.00 percent. Principal is payable annually on September 1 and interest is payable semi-annually on September 1 and March 1. The final maturity date of these bonds is September 1, 2029. As of June 30, 2018, the principal balance was \$17,050,000. Administrative Office of the Courts, Commonwealth of Kentucky, has agreed to make the payments due below on behalf of the fiscal court. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 1,045,000	\$ 649,575
2020	1,180,000	605,750
2021	1,230,000	557,300
2022	1,285,000	507,275
2023	1,325,000	468,125
2024-2028	7,595,000	1,345,225
2029-2030	3,390,000	101,100
Totals	<u>\$ 17,050,000</u>	<u>\$ 4,234,350</u>

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

Note 7. Long-term Debt (Continued)

I. General Obligation Lease (Farmer's Market), Series 2016

On December 23, 2016, the Warren County Fiscal Court entered into a lease agreement with JP Morgan Chase Bank in the amount of \$3,000,000 for the financing, acquisition, development, construction, and operation of a Farmer's Market Kitchen to be owned and operated by the county as a public project as well as for the acquisition of a fire truck and equipment. Interest payments are due June 1 and December 1, beginning June 1, 2017. Principal payments are due every December 1st beginning December 1, 2018. The final installment is due on December 1, 2031. The effective interest rate is 2.3 percent. As of June 30, 2018, the principal balance was \$2,830,581. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 173,362	\$ 63,110
2020	177,395	59,076
2021	181,523	54,948
2022	185,746	50,725
2023	190,068	46,403
2024-2028	1,018,771	163,584
2029-2032	903,716	42,168
Totals	<u>\$ 2,830,581</u>	<u>\$ 480,014</u>

J. General Obligation Bonds, Series 2017

On August 16, 2017, the Warren County Fiscal Court issued obligations of \$8,295,000 for the purpose of financing (i) the cost of the acquisition, development, and construction of gymnasium and fitness center buildings, and other capital improvements and buildings owned and operated by the county to be used for a public purpose, (facilities), including reimbursement of cost incurred and/or paid by the county for the acquisition, development, and construction of the facilities, (ii) the payment of capitalized and/or accrued interest, if any; and (iii) the payment of the Cost of Issuance. Principal is paid annually on June 1. The interest rate varies from 2 percent to 5 percent with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is June 1, 2037. As of June 30, 2018, the principal balance was \$7,930,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 310,000	\$ 253,731
2020	315,000	247,531
2021	320,000	241,231
2022	330,000	231,631
2023	345,000	215,131
2024-2028	1,935,000	869,006
2029-2033	2,285,000	526,606
2034-2037	2,090,000	161,725
Totals	<u>\$ 7,930,000</u>	<u>\$ 2,746,592</u>

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

Note 7. Long-term Debt (Continued)

K. General Obligations Bonds, Series 2017B

On December 13, 2017, the Warren County Fiscal Court issued obligations of \$8,660,000 for the purpose of financing (i) the refunding of the Warren County, Kentucky Hotel Tax Revenue Bonds, Series 2010 (Build America Bonds-Direct Payment, dated February 1, 2010 (Prior Bonds), pursuant to the Refunding Plan, (ii) the payment of accrued interest, if any and (iii) the payment of the Cost of Issuance. Principal is paid annually on June 1 starting fiscal year 2021. The interest rate varies from 3 percent to 4 percent with semi-annual interest payments due on the first of June and December. The final maturity date of these bonds is June 1, 2039. As of June 30, 2018, the principal balance was \$8,660,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$	\$ 302,138
2020		302,138
2021	205,000	302,138
2022	225,000	293,938
2023	250,000	284,937
2024-2028	1,615,000	1,256,087
2029-2033	2,360,000	902,837
2034-2039	4,005,000	475,262
Totals	<u>\$ 8,660,000</u>	<u>\$ 4,119,475</u>

L. Financing Obligation - Sheriff Vehicles

On December 15, 2016, the Warren County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of nine sheriff vehicles. The principal amount of the lease was \$375,953. The agreement requires semi-annual principal and interest payments due in June and December. The interest rate is 3.579 percent. The maturity date is December 20, 2021. As of June 30, 2018, the principal balance was \$ 268,919. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 74,199	\$ 8,968
2020	76,276	6,293
2021	78,411	3,543
2022	40,033	717
Totals	<u>\$ 268,919</u>	<u>\$ 19,521</u>

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

Note 7. Long-term Debt (Continued)

M. Financing Obligation - Road Truck

On December 15, 2016, the Warren County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a conventional truck for the road department. The principal amount of the lease was \$117,337. The agreement requires semi-annual principal and interest payments due June and December. The interest rate is 3.7 percent. The maturity date is December 20, 2023. As of June 30, 2018, the principal balance was \$94,274. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 16,049	\$ 3,341
2020	16,518	2,743
2021	17,001	2,127
2022	17,498	1,493
2023	18,008	841
2024	9,200	170
Totals	<u>\$ 94,274</u>	<u>\$ 10,715</u>

N. Changes In Long-term Debt

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

	*Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds And Notes	\$ 36,460,000	\$ 16,955,000	\$ 2,374,419	\$ 51,040,581	\$ 2,433,361
Revenue Bonds	27,310,000		595,000	26,715,000	1,155,000
Financing Obligations	850,965		147,772	703,193	150,248
Total Long-term Debt	<u>\$ 64,620,965</u>	<u>\$ 16,955,000</u>	<u>\$ 3,117,191</u>	<u>\$ 78,458,774</u>	<u>\$ 3,738,609</u>

* Total Long-term Debt was restated in Financing Obligations by \$341,098 and \$109,867, totaling \$450,965 for two leases omitted in prior year.

Note 8. Contingencies

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

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

Note 9. Commitment Debt

A. Lovers Lane Soccer Complex

During 1996, the Warren County Fiscal Court entered into an agreement with the City of Bowling Green to fund 20 percent of construction costs associated with the Lovers Lane Soccer Complex. The City of Bowling Green Municipal Project Corporation issued \$2,365,000 of Series 1995 Lease Revenue Bonds to finance the project with the fiscal court's total commitment being \$609,256. In fiscal year 2009, the City of Bowling Green refinanced the remaining principal on these bonds of \$1,101,800 with the fiscal court's total commitment being \$220,104. The fiscal court's commitment as of June 30, 2018, totaled \$37,194 payable at varying amounts semi-annually in conjunction with the principal and interest payments due on the refinanced bonds, which mature June 1, 2020. Future payment requirements are:

Fiscal Year Ended June 30	Amount
2019	\$ 19,476
2020	17,718
Totals	<u>\$ 37,194</u>

B. Historic Railroad Depot

An Inter-local Cooperation Agreement relating to the Historic Railroad Depot (Depot) was entered into on February 2, 2001, by and between the City of Bowling Green (city) and the Warren County Fiscal Court (county). The city and the county authorized the creation of jointly governed organization, a public non-profit corporation known as the Depot Development Authority (Authority), a corporation, to act as the agent, instrumentality and constituted authority of the city and the county in connection with the planning, promotion, development, financing, and acquisition by the corporation of the historic railroad station located in Bowling Green. The city and county have agreed to borrow up to \$1,000,000 to repay the debt of the Authority and finish the renovation of the Depot. The city and county have agreed to equally share the costs of this loan over a 20-year period and to share equally the responsibility and the costs of the remaining renovation, promotion, development, financing, management, and maintenance of the historic depot. In fiscal year 2005, the City of Bowling Green refinanced the remaining principal on this loan of \$882,959 with the fiscal court's total commitment of the remaining principal being \$441,479. The fiscal court's commitment for principal and interest payments as of June 30, 2018, totaled \$31,318 payable at varying amounts semi-annually in conjunction with the principal and interest payments due on the loan, which matures June 30, 2019. Future payments requirements are:

Fiscal Year Ended June 30	Amount
2019	\$ 31,318
Totals	<u>\$ 31,318</u>

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

Note 9. Commitment Debt (Continued)

C. Inter-Modal Transportation Authority

The City of Bowling Green (City), approved the issuance of General Obligation bonds (Series 2007 B & C) in the amount of \$27,415,000 during fiscal year ending June 30, 2008, to refinance the Inter-Modal Transportation Authority's (ITA) mortgage-backed bonds that were outstanding. As a result of the City issuing the General Obligation bonds, the City and the ITA entered into a Ground Lease Agreement which grants the City a leasehold interest in the land held in the Kentucky Transpark. In addition, a Contract, Lease, and Option agreement was entered into between Warren County, the City and the ITA wherein the City agreed to lease the land in the Kentucky Transpark to Warren County and the ITA for lease payments to be utilized by the City in support of the payment of principal and interest on the General Obligation bonds. Warren County and the City have each pledged to evenly share any shortfalls toward payment of debt service on outstanding bonds. In FY 2018, Warren County was required to fund an additional \$947,023 related to the required debt service payments.

Additionally, a portion of the Series 2007B General Obligation Bonds were refinanced during FY 2018 through issuance of the Series 2016A General Obligation bonds. As of June 30, 2018, the outstanding balance of the Series 2016A General Obligation bonds was \$9,215,000. All of the Series 2007C General Obligation bonds were refinanced during FY 2016 through issuance of the 2016B General Obligation bonds. All of the Series 2007B General Obligation bonds were refinanced during FY 2018 through issuance of the 2016B General Obligation bonds. As of June 30, 2018, the outstanding balance of the Series 2016B General Obligation bonds was \$3,220,000.

The Contract, Lease, and Option agreement is automatically renewed each year unless the county's written election not to exercise the option for the succeeding year is provided to the ITA, the City, and the State Local Debt Officer of the Commonwealth of Kentucky at least 90 days prior to the July 1 renewal date.

D. Public Safety Mobile Radio Communication System

On June 7, 2013, the Warren County Fiscal Court passed an ordinance authorizing the purchase of a new public safety mobile radio communications system, jointly with the City of Bowling Green, Kentucky. The contracted price of the radio system is \$7,000,000; and Warren County's share of the project is \$3,640,000 (52 percent). The contractor bills costs as certain contractual milestones are met, with the final payment being due upon completion of the project. As of June 30, 2018, the fiscal court has paid \$4,518,343 (\$297,144 in fiscal year 2018, \$3,287 in fiscal year 2017, \$52,188 in fiscal year 2016, \$2,572,771 in fiscal year 2015, and \$1,592,953 in fiscal year 2014) on this project.

Note 10. 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 \$1,191,440, FY 2017 was \$1,383,952, and FY 2018 was \$1,472,762.

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

Note 10. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

Note 10. Employee Retirement System (Continued)

Hazardous (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.55 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

Once members reach a minimum vesting period of 15 years, 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.

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

Note 10. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

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

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

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

G. 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.

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

Note 10. Employee Retirement System (Continued)

G. 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 11. Deferred Compensation

On February 24, 2010, the Warren 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 12. Health Reimbursement Account/Flexible Spending Account/Dependent Care Account

On December 7, 2001, the fiscal court approved to contract with a third-party administrator of a flexible benefits program to administer by calendar year, health reimbursement accounts to provide employees an additional health benefit for employees who have elected to decline health insurance through the fiscal court. Effective January 1, 2018, the fiscal court authorized a \$500 monthly contribution for full time employee health insurance for those employees participating in the county sponsored wellness plan, and authorized a \$350 monthly HRA benefit for employees who waive county health insurance coverage. Health reimbursement account funds remaining at the end of each calendar year roll forward to the next year. If employees are no longer employed by the fiscal court or decide to no longer participate in the health reimbursement account, the funds revert to the fiscal court. The balance of the plan as of June 30, 2018 was \$58,435. These funds will roll over to fiscal year 2019 since the plan is administered by calendar year.

The fiscal court also allows employees to contribute to flexible spending accounts and dependent care accounts, through payroll deductions. These plans are also administered by the same third-party administrator. The fiscal court does not contribute to these accounts.

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

Note 13. Insurance

For the fiscal year ended June 30, 2018, the Warren 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 14. Subsequent Event

The Warren County Fiscal Court issued General Obligation Bonds (Energy Savings Project) Series 2018 for \$5,715,000 on December 18, 2018, for the purpose of financing the acquisition and installation of energy efficient and saving improvements for county buildings and facilities, and other capital improvements and buildings owned and operated by the county to be used for public purpose.

Note 15. Related Party Transactions

One of the elected magistrates owns a company that provides services to the Warren County Fiscal Court. The magistrate abstains from voting on any motions related to the services his company provides. The fiscal court spent approximately \$21,427 on products and services from this company during the year. During the audit period, this magistrate was the director of the Warren County Downtown Economic Development Authority and Southern Kentucky Performing Arts Center, Inc. In addition, he was also the director of Bowling Green SPE, Inc. and Bowling Green SPE II Inc., which share the same board of directors with the Warren County Downtown Economic Development Authority.

The fiscal court clerk's husband owns a company that provides services to the Warren County Fiscal Court. The fiscal court spent approximately \$20,886 on services from this company during the year and the Warren County Jail Commissary Fund spent approximately \$57,396.

Note 16. Conduit Debt

From time to time, the county has issued limited-obligation revenue bonds, certificates of participation, or similar debt instruments to provide financial assistance to third parties that are not part of the issuer's financial reporting entity 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 Warren 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.

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

Note 17. Tax Abatements

A. VVI Fulfillment Center, Inc.

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution No. 14-01, adopted by the county on January 24, 2014. VVI Fulfillment Center, Inc. (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 1, 2014, which was authorized by Resolution No. 14-01. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. A decrease of the *Ad Valorem* tax can occur in the event the Company does not achieve 90 percent of its job creation and capital expenditure estimates. The Company estimated 150 new full-time jobs, 50 full-time equivalent jobs, over a four year period, and projected investment of approximately \$26,000,000. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 14-06 remain issued and outstanding. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$21,750. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

B. Quiver Ventures, LLC

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution No. 14-09, adopted by the county on May 16, 2014. Quiver Ventures LLC, (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of May 16, 2014, which was authorized by Resolution No. 14-09. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. A decrease of the *Ad Valorem* tax can occur in the event the Company does not achieve 90 percent of its job creation and capital expenditure estimates. The Company estimated 80 new full-time jobs, over a three year period, and projected investment of approximately \$155,000,000. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 14-19 remain issued and outstanding. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$16,385. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

C. Wellspring Investments, LLC

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution No. 13-03, adopted by the county on April 12, 2013, which authorized the issuance of industrial building revenue bonds pursuant to Sections 103.200 to 103.285 of the Kentucky Revised Statutes. Wellspring Investments, LLC (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 30, 2013. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 13-03 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the Company or its assigns. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county.

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

Note 17. Tax Abatements (Continued)

C. Wellspring Investments, LLC (Continued)

For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$14,428. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

D. Dellisart Wellspring, LLC

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution No. 13-03, adopted by the county on April 12, 2013, which authorized the issuance of industrial building revenue bonds pursuant to Sections 103.200 to 103.285 of the Kentucky Revised Statutes. Dellisart Wellspring, LLC (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of December 30, 2013. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 13-03 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the Company or its assigns. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$14,935. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

E. Bowling Green Metalforming, LLC

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and pursuant to an Amended and Restated Payment in Lieu of Taxes (AMENDED PILOT) Agreement, dated December 28, 2015. Bowling Green Metalforming, LLC (the Company) is eligible to receive this tax abatement pursuant to the AMENDED PILOT Agreement. The property to which the AMENDED PILOT Agreement is applicable is owned by the South Central Kentucky Regional Development Authority (RDA), which issued its Taxable Industrial Building Revenue Bonds, Series 2015 (Series 2015 Bonds) for the purpose of financing the operational expansion of the manufacturing facility operated by the Company. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the AMENDED PILOT Agreement. A decrease of the *Ad Valorem* can occur in the event the Company does not achieve 80 percent of its job creation and capital expenditure estimates. The Company estimated 450 new full-time jobs, over a five year period, and projected investment of approximately \$210,000,000. The tax abatement percentage decrease is evaluated as of January 1, 2020. The AMENDED PILOT Agreement terminates on the day immediately following the date no Series 2015 Bonds remain issued and outstanding. Pursuant to Section 103.230(2), the Series 2015 Bonds do not represent an obligation of the RDA or the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$57,891. As part of the AMENDED PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

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

Note 17. Tax Abatements (Continued)

F. Bilstein Cold Rolled Steel LP

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution adopted by the county on October 18, 2013. Bilstein Cold Rolled Steel LP (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of September 15, 2015, which was authorized the Resolution adopted on October 18, 2013. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Ordinance No. 17-27 WC remain issued and outstanding. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$3,114. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated. The City also entered into the PILOT Agreement.

G. Warren County Downtown Development Authority (Stupp Bridge)

The *Ad Valorem* tax was abated under authority of section 103.285 of the Kentucky Revised Statutes. For fiscal year ended June 30, 2018, the county abated \$17,690 in *Ad Valorem* tax. No other county tax was abated.

H. NP Bowling Green, LLC

The *Ad Valorem* tax was abated under authority of Section 103.285 of the Kentucky Revised Statutes and Resolution No. 17-02, adopted by the county on January 20, 2017, which authorized the issuance of industrial building revenue bonds pursuant to Sections 103.200 to 103.285 of the Kentucky Revised Statutes. NP Bowling Green, LLC (the Company) is eligible to receive this tax abatement pursuant to a Payment in Lieu of Taxes (PILOT) Agreement dated as of March 17, 2017. The *Ad Valorem* taxes are abated by a percentage reduction of the amount of the *Ad Valorem* tax levied by the county and the City of Bowling Green, Kentucky (the City), which percentages are set forth in the PILOT Agreement. The PILOT Agreement terminates on the day immediately following the date no bonds issued by the county pursuant to Resolution No. 17-02 remain issued and outstanding or on the date fee simple title to the land described in the PILOT Agreement is transferred to the Company or its assigns. Pursuant to Section 103.230(2), the bonds do not represent an obligation of the county nor constitute a pledge of the full faith, credit, and taxing power of the county. For fiscal year ended June 30, 2018, the county abated *Ad Valorem* tax only of \$19,720. As part of the PILOT Agreement, the county committed to abate only the *Ad Valorem* tax. No other county tax is abated.

Note 18. Prior Period Adjustments

The general fund beginning balance was restated by \$30,215 for the following reasons: \$26,607 for prior year outstanding checks voided in current year, by \$4,244 for adding activity of the HIDTA Drug Buy account to current year, and \$(636) to remove debt accounts shown with general fund in error. The transient room tax fund was restated by \$123,065 due to a prior year error. The tax incremental fund was restated by \$587 to due to an error in prior year balances.

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

Note 19. Jail Food Service Contract Capital Improvement Grant

On December 1, 2017, the Warren County Fiscal Court approved a food service contract which included “[t]he vendor has agreed to pay a capital improvement grant to Warren County Regional Jail in the amount of \$170,000 due within 10 business days of the signing of the contract.” The improvement grant was deposited into the Warren County Jail Commissary. As of June 30, 2018, the balance was \$170,000.

Note 20. Jail Food Service Maintenance Escrow Account

On December 1, 2017, the Warren County Fiscal Court approved a food service contract which included “[t]he vendor will establish and fund an escrow account at a rate of \$.04 per meal set aside for repair maintenance for the life of the contract.” Upon termination of contract, the balance of the account will be turned over to the Warren County Regional Jail. As of June 30, 2018, the balance was \$14,195.

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

For The Year Ended June 30, 2018

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WARREN 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	\$ 16,700,000	\$ 16,700,000	\$ 18,813,463	\$ 2,113,463
In Lieu Tax Payments	260,000	260,000	208,197	(51,803)
Excess Fees	1,090,000	1,090,000	1,254,185	164,185
Licenses and Permits	1,275,000	1,275,000	1,755,277	480,277
Intergovernmental	4,143,200	4,143,200	3,615,277	(527,923)
Charges for Services	350,500	350,500	227,498	(123,002)
Miscellaneous	697,500	697,500	743,705	46,205
Interest	325,000	325,000	535,311	210,311
Total Receipts	<u>24,841,200</u>	<u>24,841,200</u>	<u>27,152,913</u>	<u>2,311,713</u>
DISBURSEMENTS				
General Government	8,791,321	9,300,676	9,512,387	(211,711)
Protection to Persons and Property	1,586,748	1,650,093	1,616,560	33,533
General Health and Sanitation	652,769	695,170	416,857	278,313
Social Services	237,600	298,000	203,221	94,779
Recreation and Culture	4,052,470	4,046,724	3,859,229	187,495
Airports	130,000	130,000	130,000	
Debt Service	2,211,203	2,476,203	1,884,364	591,839
Capital Projects	10,422,427	9,401,858	9,453,234	(51,376)
Administration	2,307,926	2,040,440	2,075,904	(35,464)
Total Disbursements	<u>30,392,464</u>	<u>30,039,164</u>	<u>29,151,756</u>	<u>887,408</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,551,264)</u>	<u>(5,197,964)</u>	<u>(1,998,843)</u>	<u>3,199,121</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds	7,000,000	7,000,000	8,295,000	1,295,000
Net Premium (Discount) on Bond Issuance			308,973	308,973
Transfers To Other Funds	<u>(1,805,503)</u>	<u>(3,205,503)</u>	<u>(2,735,019)</u>	<u>470,484</u>
Total Other Adjustments to Cash (Uses)	<u>5,194,497</u>	<u>3,794,497</u>	<u>5,868,954</u>	<u>2,074,457</u>
Net Change in Fund Balance	(356,767)	(1,403,467)	3,870,111	5,273,578
Fund Balance - Beginning (Restated)	<u>356,767</u>	<u>2,503,467</u>	<u>37,565,491</u>	<u>35,062,024</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,100,000</u>	<u>\$ 41,435,602</u>	<u>\$ 40,335,602</u>

WARREN 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	\$ 2,530,727	\$ 2,530,727	\$ 2,587,553	\$ 56,826
Miscellaneous	40,000	40,000	801	(39,199)
Interest	427	427		(427)
Total Receipts	<u>2,571,154</u>	<u>2,571,154</u>	<u>2,588,354</u>	<u>17,200</u>
DISBURSEMENTS				
Roads	1,769,953	2,618,482	2,423,970	194,512
Road Facilities	4,000	4,000		4,000
Capital Projects	1,000,000	361,435		361,435
Administration	526,765	548,801	500,184	48,617
Total Disbursements	<u>3,300,718</u>	<u>3,532,718</u>	<u>2,924,154</u>	<u>608,564</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(729,564)</u>	<u>(961,564)</u>	<u>(335,800)</u>	<u>625,764</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>553,475</u>	<u>553,475</u>		<u>(553,475)</u>
Total Other Adjustments to Cash (Uses)	<u>553,475</u>	<u>553,475</u>		<u>(553,475)</u>
Net Change in Fund Balance	(176,089)	(408,089)	(335,800)	72,289
Fund Balance - Beginning	<u>176,089</u>	<u>408,089</u>	<u>415,634</u>	<u>7,545</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,834</u>	<u>\$ 79,834</u>

WARREN 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	\$ 6,141,960	\$ 6,141,960	\$ 5,475,502	\$ (666,458)
Charges for Services	325,262	325,262	337,901	12,639
Miscellaneous	1,023,390	1,023,390	791,942	(231,448)
Interest	490	490	1,817	1,327
Total Receipts	<u>7,491,102</u>	<u>7,491,102</u>	<u>6,607,162</u>	<u>(883,940)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,938,176	6,404,760	6,101,018	303,742
Debt Service	458,778	458,778	458,778	
Administration	1,596,869	2,730,285	1,502,671	1,227,614
Total Disbursements	<u>7,993,823</u>	<u>9,593,823</u>	<u>8,062,467</u>	<u>1,531,356</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(502,721)</u>	<u>(2,102,721)</u>	<u>(1,455,305)</u>	<u>647,416</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>502,721</u>	<u>1,302,721</u>	<u>1,302,721</u>	
Total Other Adjustments to Cash (Uses)	<u>502,721</u>	<u>1,302,721</u>	<u>1,302,721</u>	
Net Change in Fund Balance		(800,000)	(152,584)	647,416
Fund Balance - Beginning			<u>662,073</u>	<u>662,073</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (800,000)</u>	<u>\$ 509,489</u>	<u>\$ 1,309,489</u>

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 242,675	\$ 242,675	\$ 378,554	\$ 135,879
Interest	325	325	6,201	5,876
Total Receipts	<u>243,000</u>	<u>243,000</u>	<u>384,755</u>	<u>141,755</u>
DISBURSEMENTS				
General Government	211,213	211,213	210,213	1,000
Protection to Persons and Property	37,000	37,000	14,224	22,776
Social Services	40,200	41,050	41,050	
Roads	20,000	19,150		19,150
Administration	100	100		100
Total Disbursements	<u>308,513</u>	<u>308,513</u>	<u>265,487</u>	<u>43,026</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(65,513)</u>	<u>(65,513)</u>	<u>119,268</u>	<u>184,781</u>
Net Change in Fund Balance	(65,513)	(65,513)	119,268	184,781
Fund Balance - Beginning	<u>65,513</u>	<u>65,513</u>	<u>574,423</u>	<u>508,910</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 693,691</u>	<u>\$ 693,691</u>

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

	GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,350,000	\$ 1,350,000	\$ 394,240	\$ (955,760)
Miscellaneous			2,000	2,000
Total Receipts	<u>1,350,000</u>	<u>1,350,000</u>	<u>396,240</u>	<u>(953,760)</u>
DISBURSEMENTS				
General Government		8,100	9,250	(1,150)
Capital Projects	1,350,000	1,988,640	1,034,511	954,129
Administration		553,260		553,260
Total Disbursements	<u>1,350,000</u>	<u>2,550,000</u>	<u>1,043,761</u>	<u>1,506,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(1,200,000)</u>	<u>(647,521)</u>	<u>552,479</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		<u>600,000</u>	<u>348,239</u>	<u>(251,761)</u>
Total Other Adjustments to Cash (Uses)		<u>600,000</u>	<u>348,239</u>	<u>(251,761)</u>
Net Change in Fund Balance		(600,000)	(299,282)	300,718
Fund Balance - Beginning		<u>300,000</u>	<u>320,608</u>	<u>20,608</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (300,000)</u>	<u>\$ 21,326</u>	<u>\$ 321,326</u>

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

	EMERGENCY 911 FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 250,000	\$ 250,000	\$ 233,999	\$ (16,001)
Total Receipts	<u>250,000</u>	<u>250,000</u>	<u>233,999</u>	<u>(16,001)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>250,000</u>	<u>250,000</u>	<u>239,789</u>	<u>10,211</u>
Total Disbursements	<u>250,000</u>	<u>250,000</u>	<u>239,789</u>	<u>10,211</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(5,790)</u>	<u>(5,790)</u>
Net Change in Fund Balance			(5,790)	(5,790)
Fund Balance - Beginning			<u>36,685</u>	<u>36,685</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,895</u>	<u>\$ 30,895</u>

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

FEDERAL DRUG FORFEITURE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 36,871	\$ 36,871
Interest			242	242
Total Receipts			37,113	37,113
DISBURSEMENTS				
Protection to Persons and Property	80,000	80,000	15,959	64,041
Total Disbursements	80,000	80,000	15,959	64,041
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(80,000)	(80,000)	21,154	101,154
Net Change in Fund Balance	(80,000)	(80,000)	21,154	101,154
Fund Balance - Beginning	80,000	80,000	101,426	21,426
Fund Balance - Ending	\$ 0	\$ 0	\$ 122,580	\$ 122,580

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

	STORM WATER FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 1,358,478	\$ 1,358,478	\$ 1,110,638	\$ (247,840)
Miscellaneous	2,000	2,000		(2,000)
Interest	8,990	8,990	33,293	24,303
Total Receipts	<u>1,369,468</u>	<u>1,369,468</u>	<u>1,143,931</u>	<u>(225,537)</u>
DISBURSEMENTS				
General Health and Sanitation	1,951,886	1,951,636	779,642	1,171,994
Administration		250		250
Total Disbursements	<u>1,951,886</u>	<u>1,951,886</u>	<u>779,642</u>	<u>1,172,244</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(582,418)</u>	<u>(582,418)</u>	<u>364,289</u>	<u>946,707</u>
Net Change in Fund Balance	(582,418)	(582,418)	364,289	946,707
Fund Balance - Beginning	<u>582,418</u>	<u>582,418</u>	<u>2,041,137</u>	<u>1,458,719</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,405,426</u>	<u>\$ 2,405,426</u>

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

	TRANSIENT ROOM TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,121,736	\$ 121,736
Intergovernmental	247,000	247,000	244,983	(2,017)
Interest	10,000	10,000	90,174	80,174
Total Receipts	<u>1,257,000</u>	<u>1,257,000</u>	<u>1,456,893</u>	<u>199,893</u>
DISBURSEMENTS				
Recreation and Culture	1,100	3,300	3,300	
Debt Service	859,413	857,213	975,790	(118,577)
Administration	396,487	396,487	204,427	192,060
Total Disbursements	<u>1,257,000</u>	<u>1,257,000</u>	<u>1,183,517</u>	<u>73,483</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>273,376</u>	<u>273,376</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds			8,660,000	8,660,000
Net Premium (Discount) on Bond Issuance			<u>250,382</u>	<u>250,382</u>
Total Other Adjustments to Cash (Uses)			<u>8,910,382</u>	<u>8,910,382</u>
Net Change in Fund Balance			9,183,758	9,183,758
Fund Balance - Beginning (Restated)			<u>2,767,036</u>	<u>2,767,036</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,950,794</u>	<u>\$ 11,950,794</u>

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

	TAX INCREMENTAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 850,000	\$ 850,000	\$ 1,093,992	\$ 243,992
Interest	100	100	1,422	1,322
Total Receipts	<u>850,100</u>	<u>850,100</u>	<u>1,095,414</u>	<u>245,314</u>
DISBURSEMENTS				
Debt Service	1,597,207	1,597,207	1,597,206	1
Administration	2,200	2,200	2,200	
Total Disbursements	<u>1,599,407</u>	<u>1,599,407</u>	<u>1,599,406</u>	<u>1</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(749,307)</u>	<u>(749,307)</u>	<u>(503,992)</u>	<u>245,315</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>749,307</u>	<u>749,307</u>	<u>546,103</u>	<u>(203,204)</u>
Total Other Adjustments to Cash (Uses)	<u>749,307</u>	<u>749,307</u>	<u>546,103</u>	<u>(203,204)</u>
Net Change in Fund Balance			42,111	42,111
Fund Balance - Beginning (Restated)			<u>3,254</u>	<u>3,254</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,365</u>	<u>\$ 45,365</u>

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

	2013B BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 150	\$ 150	\$ 5,722	\$ 5,572
Total Receipts	150	150	5,722	5,572
DISBURSEMENTS				
Protection to Persons and Property	787,000	787,000	329,520	457,480
Debt Service			537,956	(537,956)
Total Disbursements	787,000	787,000	867,476	(80,476)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(786,850)	(786,850)	(861,754)	(74,904)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			537,956	537,956
Total Other Adjustments to Cash (Uses)			537,956	537,956
Net Change in Fund Balance	(786,850)	(786,850)	(323,798)	463,052
Fund Balance - Beginning	786,850	786,850	783,144	(3,706)
Fund Balance - Ending	\$ 0	\$ 0	\$ 459,346	\$ 459,346

**WARREN 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.

Note 2. Excess of Disbursements Over Appropriations

General fund exceeded budgeted appropriations by \$211,711 in general government, \$51,376 in capital projects, and \$35,464 in administration.

Grants fund general government exceeded budgeted appropriations by \$1,150.

Transient room tax fund debt service exceeded budgeted appropriations by \$118,577 due to interest payment made on Series 2017B crossover bonds the county did not know they had to budget or record.

Series 2013B bond fund debt service exceeded budgeted appropriations by \$537,956 and \$80,476 overall, due to budgeting these payments in the general fund debt service in error.

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

For The Year Ended June 30, 2018

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WARREN 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:

	(*Restated) Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 7,887,491	\$	\$	\$ 7,887,491
Land Improvements	5,938,408			5,938,408
Construction In Progress	2,343,123	729,503	2,343,123	729,503
Building and Building Improvements	51,058,793	9,248,530		60,307,323
Vehicles*	10,519,279	195,462	196,764	10,517,977
Machinery and Equipment	5,746,357	889,199		6,635,556
Infrastructure	124,432,633	809,003		125,241,636
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 207,926,084</u>	<u>\$ 11,871,697</u>	<u>\$ 2,539,887</u>	<u>\$ 217,257,894</u>

**WARREN 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	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

Note 2. Restatement of Capital Assets Beginning Balance

The beginning balance of vehicles was restated by \$1,773,558 to remove leased vehicles of \$1,666,779 and \$106,779 in leased vehicles sold included in the prior year in error. In addition, jail canteen assets were included with vehicles.

**WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2018

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WARREN 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. S. Department of Housing and Urban Development				
<i>Passed-Through State Department for Local Government:</i>				
Community Development Block Grants/State's Program:	14.228			
Fort Webb Senior Rental Housing Project		15-054	\$	\$ 87,743
Men's Addiction Recovery Center		16-001		293,500
			<u>\$</u>	<u>\$ 381,243</u>
Total U.S. Department of Housing and Urban Development				
U.S. Department of Justice				
<i>Passed-Through State Justice and Public Safety Cabinet:</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			
		2016-H2983-KY-DJ	\$	\$ 3,026
		2017-JAG-Bowling Gr-01170		136,586
		2017-JAG-Bowling Gr-01186		27,842
			<u>\$</u>	<u>\$ 167,454</u>
Total U.S. Department of Justice				
U. S. Office of National Drug Control Policy				
<i>Passed-Through Financial Commission for Appalachia HIDTA:</i>				
High Intensity Drug Trafficking Areas Program	95.001			
		G17AP0001A	\$	\$ 44,400
		G18AP0001A		35,266
			<u>\$</u>	<u>\$ 79,666</u>
Total U.S. Office of National Drug Control Policy				
U. S. Department of Homeland Security				
<i>Passed-Through State Department of Military Affairs:</i>				
Hazard Mitigation Grant Program:	97.039			
Phil Moore Park Safe Room		PON2 09517000000011	\$	\$ 186,750
Ed Spears Park Safe Room		PON2 09517000013341		186,750
			<u>\$</u>	<u>373,500</u>
<i>Passed-Through State Department of Homeland Security:</i>				
Homeland Security Grant Program	97.067			
		PO2 09417000023561	\$	7,680
		PO2 09418000023811		5,600
			<u>\$</u>	<u>13,280</u>
Total U.S. Department of Homeland Security				
			<u>\$</u>	<u>\$ 386,780</u>
Total Cash Expenditures of Federal Awards			<u>\$</u>	<u>0</u> <u>\$ 1,015,143</u>

The accompanying notes are an integral part of this schedule

WARREN 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 Warren 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 Warren County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Warren 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

Warren 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***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren 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 Warren County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Warren County Fiscal Court's financial statement and have issued our report thereon dated March 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Warren 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 Warren County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-002, and 2018-003 to be material weaknesses.



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 Warren 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 Questioned Costs as items 2018-002 and 2018-003.

Views of Responsible Officials and Planned Corrective Action

Warren 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,

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

Mike Harmon
Auditor of Public Accounts

March 13, 2019

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren 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 Warren 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 Warren County Fiscal Court's major federal programs for the year ended June 30, 2018. The Warren 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 Warren 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 Warren 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 Warren County Fiscal Court's compliance.



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 Warren 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 Warren 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 Warren 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 Warren 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,



Mike Harmon
Auditor of Public Accounts

March 13, 2019

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant/State's Program
97.039	Hazard Mitigation Grant Program

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

WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings

2018-001 The Jailer Did Not Maintain A Comprehensive Summary Of Inmate Accounts

This is a repeat finding and was included in the prior year audit report as finding 2017-001. As of June 30, 2018, the inmate accounts had a combined balance of \$365,157 in the state inmate and county inmate accounts. The jailer was unable to produce a summary of each inmate's balance; therefore, we were unable to compare the total amount owed to inmates to the total cash in the bank. A summary would ensure the jailer is aware of money owed each individual inmate, current or past, and ensure the amount owed agrees to cash in bank. The computer program cannot generate a report detailing the inmate account detail. The combined total balance in the inmate account cannot be reconciled to a list detailing the balance for each individual inmate. This allows an opportunity for cash to be diverted or misappropriated. Good internal controls dictate cash in the bank should be reconciled to the total amount held for and owed to inmates. We recommend the jailer request a list of individual inmate balances to be compared to the total cash in bank from the current software provider.

Views of Responsible Officials and Planned Corrective Action:

County Judge/Executive's Response: See Jailer's comments.

Jailer's Response: This is a problem that has existed for years before my administration. The jail management system (software) had many deficiencies. We have since implemented a new jail management system that has corrected this problem.

2018-002 Original Budget And Amendments Do Not Agree To Final Budget Reported On Fourth Quarter Report

The original budget and budget amendments, approved by the Warren County Fiscal Court and state local finance officer for Warren County during fiscal year 2018, showed the following discrepancies when compared to the fourth quarter report columns for budget and final budget amounts:

- Final budget amounts reported on the fourth quarter report were understated by \$8,919,462 in receipts.
- Final budget amounts reported on the fourth quarter report were understated by \$1,550,442 in disbursements.
- One budget amendment for \$550,000 in the jail fund was approved on June 7, 2018, by the fiscal court; however, this amendment was not shown on the fourth quarter report although it was booked to the general ledger as budgeted.
- The original approved budget for the general fund included bond proceeds of \$7,000,000 but was not included in the exported fourth quarter report file sent to the Department for Local Government.
- Debt service payments of \$537,956 for the Series 2013B bonds were budgeted with the general fund instead of from the 2013B bond fund. A transfer out of the general fund was made to the 2013B bond fund to make these debt payments.
- Debt service payments of the transient room tax fund exceeded budgeted amounts by \$118,577 due to an interest payment made on the new Series 2017B crossover bonds issuance.
- General fund disbursements exceeded budgeted amounts by \$211,711 in general government, \$51,376 in capital projects, and \$35,464 in administration. The grants fund general government disbursements exceeded budgeted amounts by \$1,150.

**WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)**

Section II: Financial Statement Findings (Continued)

2018-002 Original Budget And Amendments Do Not Agree To Final Budget Reported On Fourth Quarter Report (Continued)

The quarterly financial reports are prepared and entered manually by the county for reporting to the Department for Local Government which has allowed for undetected errors to occur. Once exported into excel, the budgeted amounts were not compared to the original budget and budget amendments throughout the year to ensure the two agreed and to determine if budgeted amounts in any funds had been overspent. Furthermore, the fiscal court was not aware they needed to budget the Series 2017B crossover bond activity.

Due to this weakness in internal control over the budget process, the budget and budget amendments reported on the quarterly financial reports do not reflect the actual approved budgeted amounts when compared to the financial activity from the ledgers. In addition, excess of disbursements over the final budget has been noted in the general fund, grants fund, transient room tax fund, and 2013B bond fund.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county treasurer to “[p]repare a quarterly financial statement for the State Local Finance Officer.” The manual provides a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, actual receipts and disbursements, and total available in each line item. In addition, the manual provides a chart of accounts and states “[a]ll counties must use the account numbers from the chart of accounts.” KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void.” Strong internal controls over the budget process are vital in ensuring the fiscal court’s financials accurately reflect the budgeted to actual activity of the fiscal court.

We recommend the fiscal court implement stronger internal controls over the budget and quarterly reporting export process such as review of the quarterly financial reports and comparison to the budget and budget amendments by someone independent of the accounting function. This review could help detect misstatements and errors on the financial reports remitted to the Department for Local Government and would prevent any excess of disbursements over budgeted appropriations from occurring.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This happened due to a manual transmittal error. The accounting software used in the Treasurer’s office did not transmit the correct budgeted column in the report. The actual receipts and disbursements incurred by the county were reported correctly. To correct this problem going forward the county treasurer is looking at changing accounting software.

2018-003 The Warren County Fiscal Court Did Not Maintain Accurate Capital Asset Records

Weaknesses existed over the reporting of capital assets of Warren County. The fiscal court’s schedule of capital assets and infrastructure for the period of audit did not include all assets purchased throughout the year.

The fiscal court’s schedule of capital assets for June 30, 2018, was understated (overstated) as follows:

- (\$64,566) Two vehicles were sold and not removed from capital asset listing
- \$180,561 Ten pieces of machinery and equipment were left off the capital asset listing
- (\$244,859) Building additions listed as construction in progress
- \$87,743 Project was left off construction in progress

WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings (Continued)

2018-003 The Warren County Fiscal Court Did Not Maintain Accurate Capital Asset Records (Continued)

- (\$36,403) Overstated two buildings in construction in progress
- (\$1,666,779) Included fleet leased vehicles
- \$57,396 Building addition left off capital asset listing

Furthermore, capital asset records did not include any supporting documentation such as invoices to support amounts recorded for assets included on the fiscal court's capital asset schedule. The county's capital assets listing was understated and overstated due to incorrect posting of purchase price for items, items were erroneously added or not included, and assets below the county's capitalization threshold were included on county's listing. Due to prior year errors, the beginning balance for vehicles and equipment had to be restated. Prior year auditors included fleet leased vehicles on county's capital asset listing. By not having a proper review of capital asset records, misstatements were able to occur without detection.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting, to protect assets from misappropriation, and to ensure accurate insurance coverage. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "[f]ixed asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. An annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained and documented." Furthermore, the manual states "[a] fixed asset record should be prepared for each acquisition that meets the useful life and threshold limits. Deletion, sale, or disposal of fixed assets must be approved by the authorized personnel and documented accordingly."

We recommend the fiscal court maintain a complete and accurate capital asset schedule to comply with the Department for Local Government's requirements. Procedures should be implemented that will identify and track additions and deletions for the purpose of the capital asset schedule with adequate supporting documentation and procedures should be implemented to reconcile to the department inventory records annually for insurance coverage.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Enterprise Fleet vehicles will be removed from the capital asset schedule going forward. Previous auditor had recommended that they be included in the listing. Changes are being made in the treasurer's office to correct any other discrepancies.

Section III: Federal Award Findings And Questioned Costs

No Federal Award Findings And Questioned Costs

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2017-001	Jailer Should Maintain A Comprehensive Summary Of Inmate Accounts	Unresolved	See corrective action for current year finding 2018-001

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

WARREN COUNTY FISCAL COURT

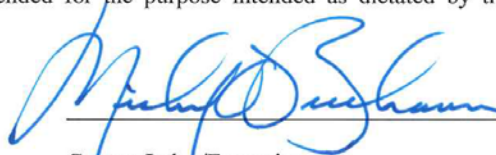
For The Year Ended June 30, 2018

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
WARREN COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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



County Judge/Executive



County Treasurer