

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

**For The Year Ended  
June 30, 2019**

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Suite 170-147  
Lexington, KY 40509**

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

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To the People of Kentucky  
The Honorable Andy G. Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Milward Dedman, Mercer County Judge/Executive  
Members of the Mercer 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 Mercer County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Mercer County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Mercer 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 Mercer County Fiscal Court as of June 30, 2019, 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 Mercer County Fiscal Court as of June 30, 2019, 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 and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Mercer County Fiscal Court. The Budgetary Comparison Schedules (Supplementary Information) and Capital Asset Schedule (Other Information) 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 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 are fairly stated in all material respects in relation to the financial statement as a whole.

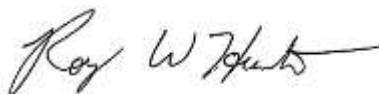
The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

To the People of Kentucky  
The Honorable Andy G. Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Milward Dedman, Mercer County Judge/Executive  
Members of the Mercer County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the Mercer 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 Mercer County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

December 17, 2019

**MERCER COUNTY OFFICIALS****For The Year Ended June 30, 2019****Fiscal Court Members:**

Milward Dedman	County Judge/Executive
Ronnie Sims	Magistrate
Donnie Webb	Magistrate
Wayne T. Jackson	Magistrate
Dennis Holiday	Magistrate
Tim Darland	Magistrate
Jackie Claycomb	Magistrate

**Other Elected Officials:**

Ted Dean	County Attorney
Bret Chamberlain	Jailer
Chris Horn	County Clerk
Allison Buchanan	Circuit Court Clerk
Ernie Kelty	Sheriff
David Best (July 1, 2018 - December 31, 2018)	Property Valuation Administrator
Jessica Elliott (January 1, 2019 - June 30, 2019)	Property Valuation Administrator
Sonny Ransdell	Coroner

**Appointed Personnel:**

Sandra Sanders	County Treasurer
Billy Humphrey (July 1, 2018 - October 31, 2018)	Road Supervisor
Roger Tuggle (November 1, 2018 - June 30, 2019)	Road Supervisor

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

**For The Year Ended June 30, 2019**



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

**For The Year Ended June 30, 2019**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 2,094,775	\$	\$
Excess Fees	141,716		
Licenses and Permits	6,488		
Intergovernmental	318,253	1,390,227	104,347
Charges for Services	93,717		
Miscellaneous	37,157	432	
Interest	31,013	25,092	10,746
Total Receipts	<u>2,723,119</u>	<u>1,415,751</u>	<u>115,093</u>
<b>DISBURSEMENTS</b>			
General Government	949,945	15,273	
Protection to Persons and Property	332,895	353	922,232
General Health and Sanitation	123,000	10,708	
Social Services	47,627		
Recreation and Culture	152,794		
Transportation Facility and Services		2,410	
Roads		1,087,612	
Other Transportation Facilities and Services		650	
Debt Service	29,861		
Capital Projects		14,283	
Administration	1,109,537	245,028	
Total Disbursements	<u>2,745,659</u>	<u>1,376,317</u>	<u>922,232</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(22,540)</u>	<u>39,434</u>	<u>(807,139)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			960,000
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			<u>960,000</u>
Net Change in Fund Balance	(22,540)	39,434	152,861
Fund Balance - Beginning (Restated)	1,286,732	853,318	590,472
Fund Balance - Ending	<u>\$ 1,264,192</u>	<u>\$ 892,752</u>	<u>\$ 743,333</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,117,692	\$ 803,386	\$ 223,247
Less: Outstanding Checks	(56,407)	(20,634)	(1,522)
Certificates of Deposit	202,907	110,000	521,608
Fund Balance - Ending	<u>\$ 1,264,192</u>	<u>\$ 892,752</u>	<u>\$ 743,333</u>

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

**MERCER COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

Budgeted Funds				Unbudgeted Funds		
Local Government Economic Assistance Fund	Federal Grant Fund	Landfill Fund	Payroll and Net Profit Fund	Wireless 911 Fund	Public Properties Corporation Fund	Total Funds
\$	\$	\$	\$ 1,561,442	\$	\$	\$ 3,656,217
						141,716
62,807	154,028	50,296		184,565	890,955	3,155,478
		242,489				336,206
		24,874	15,192	5		77,660
260		123	28,053	10,654	583	106,524
<u>63,067</u>	<u>154,028</u>	<u>317,782</u>	<u>1,604,687</u>	<u>195,224</u>	<u>891,538</u>	<u>7,480,289</u>
35,000			55,835			1,056,053
				129,692		1,385,172
		311,950				445,658
3,000						50,627
31,650	154,028					338,472
						2,410
						1,087,612
						650
					887,655	917,516
						14,283
		259	744		2,200	1,357,768
<u>69,650</u>	<u>154,028</u>	<u>312,209</u>	<u>56,579</u>	<u>129,692</u>	<u>889,855</u>	<u>6,656,221</u>
(6,583)		5,573	1,548,108	65,532	1,683	824,068
						960,000
			(960,000)			(960,000)
			(960,000)			
(6,583)		5,573	588,108	65,532	1,683	824,068
357,836		161,760	2,106,055	421,146	11,278	5,788,597
<u>\$ 351,253</u>	<u>\$ 0</u>	<u>\$ 167,333</u>	<u>\$ 2,694,163</u>	<u>\$ 486,678</u>	<u>\$ 12,961</u>	<u>\$ 6,612,665</u>
\$ 367,453	\$	\$ 167,688	\$ 2,027,310	\$ 486,678	\$ 12,961	\$ 5,206,415
(16,200)		(355)	(770)			(95,888)
			667,623			1,502,138
<u>\$ 351,253</u>	<u>\$ 0</u>	<u>\$ 167,333</u>	<u>\$ 2,694,163</u>	<u>\$ 486,678</u>	<u>\$ 12,961</u>	<u>\$ 6,612,665</u>

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

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**MERCER COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 171, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grant Fund - The primary purpose of this fund is to account for federal grants funds received and expended.

Landfill Fund – This fund includes post-closure maintenance and monitoring costs of the landfill. This fund also includes activities related to the collection and disposal of garbage and recycling materials from residents of Mercer County.

Payroll and Net Profit Fund - The primary purpose of this fund is for collection of local payroll taxes and net profit tax, which is the primary revenue source. These funds are used to support the operation of county government.

Wireless 911 Fund - The primary purpose of this fund is for collection of wireless 911 receipts, which is the primary revenue source. These funds are used to support the operation of 911 center.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings. The state local finance officer does not require the fiscal court to report or budget this fund.

**D. Budgetary Information**

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

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

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

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

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Mercer County Elected Officials (Continued)**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**H. Tax Abatements**

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015.

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Related Obligations 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 criterion, Mercer County Fiscal Court has no related organizations.

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 criterion, the following are considered joint ventures of the Mercer County Fiscal Court:

Anderson Dean Community Park  
Mercer County Industrial Development  
Mercer County Sanitation District  
Mercer County Planning and Zoning Commission

**J. Direct Borrowings and Direct Placements**

GASB Statement No. 88 – Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements – This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including used lines of credit, assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance – related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

**Note 2. Deposits**

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

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2019.

	Payroll and Net Profit Fund	Total Transfers In
Jail Fund	\$ 960,000	\$ 960,000
Total Transfers Out	<u>\$ 960,000</u>	<u>\$ 960,000</u>

Reason for transfers:

To move resources from the payroll and net profit fund, for budgetary purposes, to the funds that will expend them.

**Note 4. Long-term Debt**

**A. Revenue Bonds, Series 2009 - Judicial Center**

On August 1, 2009, the Mercer County Public Properties Corporation issued \$12,385,000 of First Mortgage Revenue Bonds. The proceeds from this issuances were used to (a) provide financing for the acquisition, development, and construction of a new courthouse facility, located within the city, to be used and leased by the Administrative Office the of Courts (AOC); (b) pay the principal and interest of the First Mortgage Revenue Bond Anticipation Note; (c) pay capitalized and/or accrued interest, if any; and (d) pay the cost of issuance incurred with respect to the issuance of bonds. Principal payments are due annually on August 1, and interest, which varies at a rate of 1.2 percent to 4.125 percent, is payable semi-annually on February 1 and August 1. In March 2016, these bonds were partially defeased with First Mortgage Refunding Revenue Bonds, Series 2016. The Bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The outstanding principal balance as of June 30, 2019, is \$1,270,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 625,000	\$ 33,200
2021	<u>645,000</u>	<u>11,288</u>
Totals	<u>\$ 1,270,000</u>	<u>\$ 44,488</u>

**B. Revenue Bond, Series 2016 - Judicial Center**

On March 8, 2016, the Mercer County Public Properties Corporation issued \$6,170,000 of First Mortgage Refunding Revenue Bonds. Proceeds from the bonds will be used for the purpose of (i) the advance refunding of all or certain maturities of the \$12,385,000 Mercer County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Judicial Center Project), Series 2009, dated August 1, 2009; (ii) the payment of accrued interest, if any; and (iii) the payment of the cost of issuance incurred with respect to the issuance of the bonds. Principal payments are due annually on August 1 beginning August 1, 2021. Interest payments, which varies from three percent to four percent, is payable semi-annually on February 1 and August 1. The Bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The outstanding principal balance as of June 30, 2019, is \$6,170,000. Future principal and interest requirements are:



**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Revenue Bond, Series 2016 - Judicial Center (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$	\$ 229,150
2021		229,150
2022	545,000	218,250
2023	710,000	193,150
2024	740,000	164,150
2025-2029	4,175,000	359,575
Totals	<u>\$ 6,170,000</u>	<u>\$ 1,393,425</u>

**C. Tractors with Mowers**

In September 2016, the Mercer County Fiscal Court entered into a four-year lease agreement with AGCO Finance to lease-purchase three Massey Ferguson Tractors and mowers for the road department. The lease was for \$346,682 with principal and interest payments due annually in September. The county had trade ins and made down payments totaling \$110,427. The final balloon payment to purchase the vehicles will be due September 1, 2020. The first payment was due September 1, 2017, and the balance as of June 30, 2019, was \$1348,468. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 52,210	\$ 6,217
2021	86,258	3,873
Totals	<u>\$ 138,468</u>	<u>\$ 10,090</u>

**D. Sheriff Vehicles**

In January 24, 2018, the Mercer County Fiscal Court entered into a three-year lease agreement with Magnolia Bank to lease-purchase two police interceptor utility vehicles for the sheriff department. The lease was for \$80,708 with principal and interest payments due annually in December. The principal balance as of June 30, 2019 was \$54,792. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2020	\$ 26,890	\$ 1,971
2021	27,902	959
Totals	<u>\$ 54,792</u>	<u>\$ 2,930</u>

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Changes in Long-term Debt**

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 8,045,000	\$ 605,000	\$ 7,440,000	\$ 625,000
Note From Direct Borrowing	269,143	75,883	193,260	79,100
Total Long-term Debt	<u>\$ 8,314,143</u>	<u>\$ 680,883</u>	<u>\$ 7,633,260</u>	<u>\$ 704,100</u>

The Fiscal Court's outstanding notes from direct borrowing related to governmental activities of \$193,260 (Tractor with Mowers Lease (C above) and Sheriff Vehicles Lease (D above)) contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The Tractor with Mower lease (C above) is secured with collateral of three Massey Ferguson Tractors. The Sheriff Vehicles Lease (D above) is secured with collateral of two police interceptor utility vehicles

**Note 5. Interlocal Cooperative Agreement**

Mercer County has entered into an interlocal cooperation agreement with Boyle County to share in the cost of a regional jail facility. The facility is owned by Boyle County. Mercer County agreed to pay a percentage, not below 35 percent and not to exceed 50 percent, of the yearly costs in exchange for the use of the facility for Mercer County prisoners. Debt service for the jail is allocated when the annual operation budget is determined.

**Note 6. Solid Waste Landfill**

The Mercer County Fiscal Court operated a landfill, which ceased operations on June 30, 1992. The county initiated closure operations in April 1991. Closure costs were estimated to be \$52,700 and the county completed the steps necessary to close the landfill. The county believes that it has met all federal, state, and local laws and regulations in regard to the closure of the landfill. Post-closure care consists primarily of groundwater monitoring and landscape maintenance. The county is required to file reports with the appropriate regulatory agencies regarding the findings and groundwater monitoring activities. Post-closure costs are included in the landfill fund. Mercer County expended \$61,117 for post-closure costs for fiscal year ended June 30, 2019. Future costs are estimated to be the same as what was expended this fiscal year and have been budgeted in the landfill fund. Inflation, deflation, technology, or applicable laws and regulations could affect these costs.

**Note 7. Employee Retirement System**

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

The county's contribution for FY 2017 was \$339,935, FY 2018 was \$367,509, and FY 2019 was \$413,414.

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one 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 five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the 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 four 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 21.48 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

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

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

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Health Insurance Coverage (Coverage)

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.

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

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

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

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

**C. Cost of Living Adjustments – Tier 1**

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

Other Post-Employment Benefits (OPEB) (Continued)

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

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

**E. Death Benefit**

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

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 8. Deferred Compensation**

The Mercer 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 9. Health Reimbursement Account/Flexible Spending Account**

On January 28, 1999, the Mercer County Fiscal Court established a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee, providing \$1,500 each year to pay for qualified medical expenses.

**Note 10. Insurance**

For the fiscal year ended June 30, 2019, the Mercer 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.

**MERCER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 11. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to industries in Mercer County for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Mercer 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, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 12. Tax Abatement**

The occupational tax license fee was abated under the authority of the Kentucky Business Investment (KBI). Hitachi Automotive Systems Americas, Inc. (the company) is eligible to receive this tax abatement as a result of its commitment to create certain jobs and investments in Harrodsburg, Kentucky. The taxes are abated by allowing the company to retain or have rebated to them 0.33 percent of subject wages and compensation earned in Mercer County, Kentucky in accordance with the Mercer County Occupational License Fee ordinance for ten years from approval of the project by KBI. Abatement of taxes can be suspended if the company does not maintain the required baseline of 626 employees and at least 10 employees associated with the new Kentucky Business Investment Program Project. For fiscal year ended June 30, 2019, Mercer County Fiscal Court abated occupational taxes totaling \$14,701.

**Note 13. Prior Year Adjustments**

	General Fund	Road Fund	Wireless 911 Fund
Fund Balance - Beginning	\$ 1,707,853	\$ 853,252	\$ -
Prior Year Outstanding Checks Voided	25	66	
Create new fund	<u>(421,146)</u>		<u>421,146</u>
Fund Balance - Beginning (Restated)	<u>\$ 1,286,732</u>	<u>\$ 853,318</u>	<u>\$ 421,146</u>

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

**For The Year Ended June 30, 2019**



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

**For The Year Ended June 30, 2019**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,876,095	\$ 1,876,095	\$ 2,094,775	\$ 218,680
Excess Fees	68,794	68,794	141,716	72,922
Licenses and Permits	6,300	6,300	6,488	188
Intergovernmental	326,645	329,332	318,253	(11,079)
Charges for Services	88,750	88,750	93,717	4,967
Miscellaneous	53,600	54,500	37,157	(17,343)
Interest	10,800	10,800	31,013	20,213
Total Receipts	<u>2,430,984</u>	<u>2,434,571</u>	<u>2,723,119</u>	<u>288,548</u>
<b>DISBURSEMENTS</b>				
General Government	1,109,933	1,126,433	949,945	176,488
Protection to Persons and Property	418,400	421,200	332,895	88,305
General Health and Sanitation	161,750	161,750	123,000	38,750
Social Services	67,850	67,850	47,627	20,223
Recreation and Culture	167,300	167,800	152,794	15,006
Debt Service	31,000	31,000	29,861	1,139
Administration	1,841,757	1,825,544	1,109,537	716,007
Total Disbursements	<u>3,797,990</u>	<u>3,801,577</u>	<u>2,745,659</u>	<u>1,055,918</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,367,006)</u>	<u>(1,367,006)</u>	<u>(22,540)</u>	<u>1,344,466</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	456,599	456,599		(456,599)
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>456,599</u>	<u>456,599</u>		<u>(456,599)</u>
Net Change in Fund Balance	(910,407)	(910,407)	(22,540)	887,867
Fund Balance - Beginning (Restated)	<u>910,407</u>	<u>910,407</u>	<u>1,286,732</u>	<u>376,325</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,264,192</u>	<u>\$ 1,264,192</u>

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,475,604	\$ 1,558,222	\$ 1,390,227	\$ (167,995)
Miscellaneous	22,500	23,800	432	(23,368)
Interest	8,600	8,600	25,092	16,492
Total Receipts	<u>1,506,704</u>	<u>1,590,622</u>	<u>1,415,751</u>	<u>(174,871)</u>
<b>DISBURSEMENTS</b>				
General Government	16,750	16,750	15,273	1,477
Protection to Persons and Property	1,500	1,500	353	1,147
General Health and Sanitation	25,000	25,000	10,708	14,292
Transportation Facilities and Services	7,000	7,000	2,410	4,590
Roads	1,459,799	1,459,799	1,087,612	372,187
Other Transportation Facilities and Services	700	700	650	50
Capital Projects	40,000	122,618	14,283	108,335
Administration	646,111	647,411	245,028	402,383
Total Disbursements	<u>2,196,860</u>	<u>2,280,778</u>	<u>1,376,317</u>	<u>904,461</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(690,156)</u>	<u>(690,156)</u>	<u>39,434</u>	<u>729,590</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(58,344)</u>	<u>(58,344)</u>		<u>58,344</u>
Total Other Adjustments to Cash (Uses)	<u>(58,344)</u>	<u>(58,344)</u>		<u>58,344</u>
Net Change in Fund Balance	(748,500)	(748,500)	39,434	787,934
Fund Balance - Beginning (Restated)	<u>748,500</u>	<u>748,500</u>	<u>853,318</u>	<u>104,818</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 892,752</u>	<u>\$ 892,752</u>

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 109,250	\$ 109,250	\$ 104,347	\$ (4,903)
Miscellaneous	500	500		(500)
Interest	2,475	2,475	10,746	8,271
Total Receipts	<u>112,225</u>	<u>112,225</u>	<u>115,093</u>	<u>2,868</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,155,749	1,155,749	922,232	233,517
Administration	556,408	556,408		556,408
Total Disbursements	<u>1,712,157</u>	<u>1,712,157</u>	<u>922,232</u>	<u>789,925</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,599,932)</u>	<u>(1,599,932)</u>	<u>(807,139)</u>	<u>792,793</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,009,824</u>	<u>1,009,824</u>	<u>960,000</u>	<u>(49,824)</u>
Total Other Adjustments to Cash (Uses)	<u>1,009,824</u>	<u>1,009,824</u>	<u>960,000</u>	<u>(49,824)</u>
Net Change in Fund Balance	(590,108)	(590,108)	152,861	742,969
Fund Balance - Beginning	<u>590,108</u>	<u>590,108</u>	<u>590,472</u>	<u>364</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 743,333</u>	<u>\$ 743,333</u>

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 62,807	\$ 2,807
Interest	225	225	260	35
Total Receipts	60,225	60,225	63,067	2,842
<b>DISBURSEMENTS</b>				
General Government	35,000	35,000	35,000	
Social Services	3,000	3,000	3,000	
Recreation and Culture	39,000	39,000	31,650	7,350
Administration	290,125	290,125		290,125
Total Disbursements	367,125	367,125	69,650	297,475
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(306,900)	(306,900)	(6,583)	300,317
Net Change in Fund Balance	(306,900)	(306,900)	(6,583)	300,317
Fund Balance - Beginning	306,900	306,900	357,836	50,936
Fund Balance - Ending	\$ 0	\$ 0	\$ 351,253	\$ 351,253

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>FEDERAL GRANT FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 178,528	\$ 206,111	\$ 154,028	\$ (52,083)
Total Receipts	<u>178,528</u>	<u>206,111</u>	<u>154,028</u>	<u>(52,083)</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	178,528	206,111	154,028	52,083
Total Disbursements	<u>178,528</u>	<u>206,111</u>	<u>154,028</u>	<u>52,083</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>LANDFILL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 39,000	\$ 39,000	\$ 50,296	\$ 11,296
Charges for Services	191,000	191,000	242,489	51,489
Miscellaneous	23,200	23,200	24,874	1,674
Interest	100	100	123	23
Total Receipts	<u>253,300</u>	<u>253,300</u>	<u>317,782</u>	<u>64,482</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	331,200	342,900	311,950	30,950
Administration	42,100	30,400	259	30,141
Total Disbursements	<u>373,300</u>	<u>373,300</u>	<u>312,209</u>	<u>61,091</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>5,573</u>	<u>125,573</u>
Net Change in Fund Balance	(120,000)	(120,000)	5,573	125,573
Fund Balance - Beginning	<u>120,000</u>	<u>120,000</u>	<u>161,760</u>	<u>41,760</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,333</u>	<u>\$ 167,333</u>

**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>PAYROLL AND NET PROFIT FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,202,500	\$ 1,202,500	\$ 1,561,442	\$ 358,942
Miscellaneous	11,100	11,100	15,192	4,092
Interest	2,250	2,250	28,053	25,803
Total Receipts	<u>1,215,850</u>	<u>1,215,850</u>	<u>1,604,687</u>	<u>388,837</u>
<b>DISBURSEMENTS</b>				
General Government	64,500	64,500	55,835	8,665
Administration	1,585,894	1,585,894	744	1,585,150
Total Disbursements	<u>1,650,394</u>	<u>1,650,394</u>	<u>56,579</u>	<u>1,593,815</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(434,544)</u>	<u>(434,544)</u>	<u>1,548,108</u>	<u>1,982,652</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(1,408,079)</u>	<u>(1,408,079)</u>	<u>(960,000)</u>	<u>448,079</u>
Total Other Adjustments to Cash (Uses)	<u>(1,408,079)</u>	<u>(1,408,079)</u>	<u>(960,000)</u>	<u>448,079</u>
Net Change in Fund Balance	(1,842,623)	(1,842,623)	588,108	2,430,731
Fund Balance - Beginning	<u>1,842,623</u>	<u>1,842,623</u>	<u>2,106,055</u>	<u>263,432</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,694,163</u>	<u>\$ 2,694,163</u>



**MERCER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>WIRELESS 911 FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 264,000	\$ 264,000	\$ 184,565	\$ (79,435)
Miscellaneous			5	5
Interest	4,500	4,500	10,654	6,154
Total Receipts	<u>268,500</u>	<u>268,500</u>	<u>195,224</u>	<u>(73,276)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	209,000	230,300	129,692	100,608
Administration	438,500	417,200		417,200
Total Disbursements	<u>647,500</u>	<u>647,500</u>	<u>129,692</u>	<u>517,808</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(379,000)</u>	<u>(379,000)</u>	<u>65,532</u>	<u>444,532</u>
Net Change in Fund Balance	(379,000)	(379,000)	65,532	444,532
Fund Balance - Beginning (Restated)	<u>379,000</u>	<u>379,000</u>	<u>421,146</u>	<u>42,146</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 486,678</u>	<u>\$ 486,678</u>

**MERCER COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2019**

**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.

**MERCER COUNTY  
SCHEDULE OF CAPITAL ASSETS  
Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

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**MERCER COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 365,219	\$	\$	\$ 365,219
Buildings and Building Improvements	16,321,232	45,650		16,366,882
Vehicles	593,299	28,000		621,299
Machinery and Equipment	1,663,924			1,663,924
Infrastructure	<u>8,699,262</u>	<u>371,492</u>		<u>9,070,754</u>
 Total Capital Assets	 <u>\$ 27,642,936</u>	 <u>\$ 445,142</u>	 <u>\$ 0</u>	 <u>\$ 28,088,078</u>

**MERCER COUNTY  
NOTES TO OTHER INFORMATION – REGULATORY BASIS  
SCHEDULE OF CAPITAL ASSETS**

**June 30, 2019**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-45
Buildings and Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	3-20
Vehicles	\$ 5,000	3-20
Infrastructure	\$ 10,000	10-40

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

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The Honorable Milward Dedman, Mercer County Judge/Executive  
Members of the Mercer 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 Mercer County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Mercer County Fiscal Court's financial statement and have issued our report thereon dated December 17, 2019.

**Internal Control Over Financial Reporting**

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

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

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

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

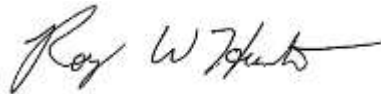
**Compliance and Other Matters**

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

**Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Roy W. Hunter", with a long horizontal flourish extending to the right.

Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

December 17, 2019

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

**MERCER COUNTY FISCAL COURT**

**For The Year Ended June 30, 2019**

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
MERCER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2019

The Mercer 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.



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County Judge/Executive



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County Treasurer