

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Harry Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hardin County Fiscal Court, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hardin County Fiscal Court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the basic financial statements based on our audit. We did not audit the financial statements of Hardin Memorial Hospital, which is a blended component unit, and 92 percent, 94 percent, and 98 percent, respectively, of the assets, net position, and revenues of the business-type opinion unit and the proprietary funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Hardin Memorial Hospital, is based solely on the report of the other auditors. 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.



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Auditor's Responsibility (Continued)

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

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hardin County Fiscal Court as of June 30, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 22 to the financial statements, in May 2018, the Hardin Memorial Hospital entered into an asset purchase agreement to sell substantially all of the hospital's assets and liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions and the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hardin County, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

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Other Matters (Continued)

Other Information (Continued)

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020, on our consideration of the Hardin 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 Hardin County Fiscal Court's 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 Hardin County Fiscal Court's internal control over financial reporting and compliance.

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

2019-001 The Hardin County Fiscal Court Was Not In Compliance with Bid Laws

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 4, 2020

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

Harry L. Berry	County Judge/Executive
Roy Easter	Magistrate
Doug Goodman	Magistrate
Lisa Boone	Magistrate
Fred Clem, Jr.	Magistrate
Bill Wiseman	Magistrate
E. G. Thompson	Magistrate
Ronnie Goodman	Magistrate
Garry King	Magistrate

Other Elected Officials:

Jennifer Oldham	County Attorney
Josh Lindblom	Jailer
Debbie Donnelly	County Clerk
Loretta Crady	Circuit Court Clerk
John Ward	Sheriff
Danny Hutcherson	Property Valuation Administrator
William Lee	Coroner

Appointed Personnel:

Daniel London	Deputy County Judge/Executive
Lisa Pearman	County Treasurer

**Hardin County
Management's Discussion and Analysis
June 30, 2019**

Regarding the financial management of Hardin County, Kentucky, (County) we offer readers of these government-wide financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2019. This discussion and analysis is designed to assist the reader in focusing and identifying significant financial issues and highlighting any significant changes in our financial position. We encourage readers to consider the information presented here in conjunction with the government-wide financial statements as a whole.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at June 30, 2019, by \$195.8 million. This amount includes \$168.7 million related to Hardin Memorial Hospital. Of this amount, \$60.8 million may be used to meet the County's ongoing obligations to its citizens and creditors; the ending unrestricted net position of government activities was (\$12) million; this is primarily the result of the effect on government activities for the CERS pension of (\$34.1) million and \$72.5 million is related to Hardin Memorial Hospital.
- The County's total net position increased by \$6.3 million.
- At June 30, 2019, the County's governmental funds reported combined ending fund balances of \$16.7 million. Of this amount, \$13 million was available for spending at the government's discretion.
- At June 30, 2019, fund balance for the General Fund was \$13 million, which is approximately 73% of total General Fund annual expenditures and transfers out.
- The County's total long-term obligations at June 30, 2019, were \$150.9 million. Obligations related to Hardin County Government's Governmental Activities were \$58.1 million comprised of \$26.4 million for the CERS Pension Plan due to GASB Statement 68, \$7.8 million due to GASB Statement 75, obligations related to the Glendale industrial property of \$10.6 million, compensated absences of \$474 thousand and \$12.9 million for debt obligations. Business-type activities include Hardin Memorial Hospital of \$81.9 million and Solid Waste of \$6.4 million for landfill closure and postclosure, \$4 million of debt obligations, \$312 thousand for the CERS Pension Plan due to GASB Statement 68 and \$90 thousand due to GASB Statement 75.

USING THIS ANNUAL REPORT

Overview Of The Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basis of accounting. The County presents its financial statements in accordance with Generally Accepted Accounting Principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. The County records transactions in governmental funds under the modified accrual basis and in business-type funds under the accrual basis.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Discretely presented component units, which are other governmental units over which the County can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column of the government-wide financial statements. The focus of the statements is clearly on the primary government and the presentation allows the user to address the relative relationship with the component units. The County's discretely presented component unit issues separate audited financial statements which are available from the County Treasurer.

**Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Overview Of The Financial Statements (Continued)

The statement of net position presents information on all of the County's assets and deferred outflows, liabilities and deferred inflows, with the difference between reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the County that are principally supported by taxes, user charges and intergovernmental revenues (governmental activities) and business-type activities which rely on charges to users to support activities. The governmental activities of the County include general government, protection to persons and property, general health and sanitation, social services and recreation and culture. The business-type activities of the County include solid waste operations, Hardin Memorial Hospital (a blended component unit), and the jail canteen fund. The County has one agency fund which is an inmate account fund at the Hardin County Detention Center. Capital assets and related debt are also supported by the revenue sources mentioned above.

The government-wide financial statements can be found on pages 15 - 18 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental, proprietary and fiduciary. The proprietary funds are the Solid Waste Fund, Hardin Memorial Hospital (a blended component unit), and the Jail Commissary Fund and an internal service fund for employee health and dental insurance. The County has one fiduciary agency fund which is an inmate account fund at the Hardin County Detention Center. All other activities of the County are included in the governmental funds.

The basic fund financial statements can be found on pages 19 - 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 - 94 of this report.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$237 million as of June 30, 2019.

The largest portion of the County's net position reflects its investment in infrastructure and capital assets (e.g., land, buildings, vehicles, furniture, equipment and books, and construction in progress), less any related debt used to acquire those assets that is outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)

Government-Wide Financial Analysis (Continued)

The County's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following Table 1 shows the County's financial position as of June 30, 2019 and 2018.

(Table 1)
Summary of Net Position
as of June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 20,999,260	\$ 15,017,684	\$ 108,427,562	\$ 104,221,560	\$ 129,426,822	\$ 119,239,244
Capital assets	92,065,317	93,525,006	188,704,114	190,050,203	280,769,431	283,575,209
Total Assets	113,064,577	108,542,690	297,131,676	294,271,763	410,196,253	402,814,453
Deferred Outflows of Resources	10,199,145	12,273,187	10,681,394	22,265,418	20,880,539	34,538,605
Long-term liabilities	58,109,501	56,851,015	92,776,294	94,334,489	150,885,795	151,185,504
Other liabilities	3,956,596	3,261,282	35,180,602	38,156,144	39,137,198	41,417,426
Total Liabilities	62,066,097	60,112,297	127,956,896	132,490,633	190,022,993	192,602,930
Deferred Inflows of Resources	3,904,309	3,232,273	131,777	10,784,147	4,036,086	14,016,420
Net Position:						
Net investment in capital assets	67,331,171	70,560,216	100,171,752	97,525,263	167,502,923	168,085,479
Restricted	2,220,813	1,656,695	6,524,231	7,113,107	8,745,044	8,769,802
Unrestricted	(12,258,668)	(14,745,604)	73,028,414	68,624,031	60,769,746	53,878,427
Total Net Position	\$ 57,293,316	\$ 57,471,307	\$ 179,724,397	\$ 173,262,401	\$ 237,017,713	\$ 230,733,708

Governmental activity unrestricted net position, the portion of net position used to finance day-to-day governmental operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise (21%) of total governmental net position. This negative amount is a result of the adoption of GASB 68 and GASB 75. Restricted net position, those restricted mainly for special purposes, comprise 4% of total governmental net position. Net investment in capital assets comprises 118% of total governmental net position.

Business-type activity unrestricted net position, the portion of net position used to finance day-to-day operations (without constraints established by debt covenants, enabling legislation or other legal requirements), comprise 41% of total business-type net position. Restricted net position, those restricted mainly for capital projects and debt service comprise 4% of total business-type net position. Net investment in business-type capital assets comprises 56% of total business-type net position.

Governmental Activities

General government comprises 15.92%, protection to persons and property comprises 37.56%, general health and sanitation comprises 1.67%, social services comprises .23%, recreation and culture comprises 2.24%, roads comprises 10.78%, and capital projects comprises 30.76% of governmental program expenses for a total of 99.16% of general government expenses. The remaining expense for interest accounts for the remaining .84% of total governmental activities expense.

**Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Government-Wide Financial Analysis (Continued)

The following Table 2 shows the County's net position as of June 30, 2019 and 2018.

**(Table 2)
Changes in Net Position
Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
REVENUES:						
Program revenues:						
Charges for services	\$ 11,891,463	\$ 12,018,072	\$ 387,712,938	\$ 364,694,788	\$ 399,604,401	\$ 376,712,860
Operating grants and contributions	4,362,450	2,453,197	-	66,000	4,362,450	2,519,197
Capital grants and contributions	13,740,163	10,628,246	-	-	13,740,163	10,628,246
General revenues:						
Property taxes	7,261,983	6,862,816	-	-	7,261,983	6,862,816
Motor vehicle tax	875,584	846,968	-	-	875,584	846,968
Other taxes	1,233,419	1,310,160	-	-	1,233,419	1,310,160
Excess fees	2,687,792	1,077,058	-	-	2,687,792	1,077,058
Interest and investment earnings	103,114	38,984	3,045,363	1,326,642	3,148,477	1,365,626
Gain on disposal of capital assets	-	-	-	62,898	-	62,898
Donations	-	96,700	-	-	-	96,700
Noncapital contributions	-	-	1,341,992	2,046,541	1,341,992	2,046,541
Special Item -Pension Termination Gain	-	-	3,140,773	-	3,140,773	-
Miscellaneous	1,085,215	850,570	-	45,425	1,085,215	895,995
Total revenues	43,241,183	36,182,771	395,241,066	368,242,294	438,482,249	404,425,065
EXPENSES:						
Program Activities						
Primary Government:						
General government	6,933,868	7,416,846	-	-	6,933,868	7,416,846
Protection to persons and property	16,361,625	16,376,257	-	-	16,361,625	16,376,257
General health and sanitation	727,273	8,760,942	-	-	727,273	8,760,942
Social Services	101,265	94,418	-	-	101,265	94,418
Recreation and culture	976,347	1,087,088	-	-	976,347	1,087,088
Roads	4,697,617	4,952,863	-	-	4,697,617	4,952,863
Interest on long-term debt	364,988	394,152	-	-	364,988	394,152
Capital projects	13,401,639	-	-	-	13,401,639	-
Business-type Activities:						
Solid Waste	-	-	8,640,084	7,845,531	8,640,084	7,845,531
Hardin Memorial Hospital	-	-	379,113,926	352,112,987	379,113,926	352,112,987
Jail Commissary	-	-	879,612	832,792	879,612	832,792
Total expenses	43,564,622	39,082,566	388,633,622	360,791,310	432,198,244	399,873,876
Change in net position before transfers	(323,439)	(2,899,795)	6,607,444	7,450,984	6,284,005	4,551,189
Transfers	145,448	89,241	(145,448)	(89,241)	-	-
Change in net position	\$ (177,991)	\$ (2,810,554)	\$ 6,461,996	\$ 7,361,743	\$ 6,284,005	\$ 4,551,189

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. The net cost shows the financial burden/benefit that was placed/received on/by the County's taxpayers by each of these functions.

**Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Government-Wide Financial Analysis (Continued)

(Table 3)

	Governmental Activities		Net Cost of Services	
	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General government	\$ 6,933,868	\$ 7,416,846	\$ (6,425,211)	\$ (5,435,852)
Protection to persons and property	16,361,625	16,376,257	(3,394,647)	(4,507,837)
General health and sanitation	727,273	8,760,942	(520,244)	(2,129,168)
Social Services	101,265	94,418	(90,858)	(93,078)
Recreation and culture	976,347	1,087,088	(892,715)	(1,004,308)
Roads	4,697,617	4,952,863	(1,881,882)	(422,836)
Interest on long-term debt	364,988	394,152	(364,988)	(389,972)
Capital projects	13,401,639	-	(1)	-
Total expenses	\$ 43,564,622	\$ 39,082,566	\$ (13,570,546)	\$ (13,983,051)

Business-Type Activities

The business-type activities include the Solid Waste, Hardin Memorial Hospital and Jail Canteen Fund operations. These activities had total revenues of \$395.2 million and expenses of \$388.6 million for fiscal year 2019. Of the revenues, \$387.7 million was charges for services, \$3 million was investment earnings, 3.1 million was special item - pension termination gain and \$1.3 million was noncapital contributions. Transfers were made from the business-type activities to the government activities in the net amount of \$145 thousand. The County will continue to monitor the charges and costs of these activities and adjust them as appropriate.

State and federal laws and regulations require Hardin County to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. Total landfill closure and postclosure costs at June 30, 2019, are estimated at \$7,964,435 and \$1,567,907 based on landfill capacity used to date. The current portion of estimated costs totals \$6,423,117. Actual cost may be higher due to inflation, changes in technology, or changes in applicable laws or regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is 2165. No cost related to closure or postclosure care has been incurred to date. In December 2000, the County began contributing \$62,600 per quarter to a landfill escrow account to be used at closure. The quarterly amount changed to \$8,750 per quarter in September 2009. The balance of the account at June 30, 2019, was \$3,074,818. This is the amount reflected as restricted net position in the accompanying financial statements. As of January 5, 2019, approximately 16% of the landfill airspace had been used. The estimated remaining landfill life is 146 years.

The County's Funds

Information about the County's major funds starts on page 19. All governmental funds had total revenues and other financing sources of \$49 million and expenditures and other financing uses of \$43.6 million. The County has three major governmental funds: 1) General Fund; 2) Road Fund; and 3) Jail Fund.

The General Fund is the chief operating fund of the County. At June 30, 2019, the unassigned fund balance of the General Fund was \$13 million. The fund balance of the County's General Fund increased by \$5.4 million during the fiscal year.

**Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

The County's Funds (Continued)

The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had \$1.5 million in fund balance at June 30, 2019. The fund balance of the County's Road Fund increased by \$140.6 thousand during the fiscal year. Expenditures for road projects were \$2.9 million.

The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2019, of \$427 thousand. That is a decrease in fund balance of \$301 thousand over the previous fiscal year. The Jail Fund received \$566 thousand of charges for services, primarily from charges for housing prisoners. The General Fund was required to contribute \$2 million to support jail operations.

General Fund-Budget Highlights

The County's budget is prepared according to Kentucky law. The most significant budgeted fund is the General Fund. For the General Fund, revenues and other sources of funds were budgeted at \$19.2 million with actual amounts of \$21.1 million. Budgeted expenditures and other sources of \$18.4 million compare with actual expenditures of \$14.7 million.

Capital Assets and Debt Administration

Capital Assets. At the end of fiscal year 2019 and 2018, the County had \$238.5 and \$239.5 million invested in a variety of capital assets, as reflected in the following table, and \$92.1 and \$93.5 million in governmental activities. Major capital asset additions during the fiscal year included additions to vehicles, roads accepted into the system and equipment. Additional information on the County's capital assets can be found in Note 6 to the financial statements.

**(Table 4)
Capital Assets at June 30, 2019 and 2018
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 18,731,488	\$ 18,731,488	\$ 12,857,766	\$ 12,489,755	\$ 31,589,254	\$ 31,221,243
Land improvements	-	-	1,199,040	1,098,614	1,199,040	1,098,614
Buildings	27,287,478	27,886,894	75,206,016	73,940,707	102,493,494	101,827,601
Landfill	-	-	15,375,646	11,001,634	15,375,646	11,001,634
Infrastructure	40,051,244	41,171,973	-	-	40,051,244	41,171,973
Equipment and books	3,284,739	3,049,983	-	-	3,284,739	3,049,983
Equipment	-	-	41,254,065	39,876,828	41,254,065	39,876,828
Vehicles	2,222,885	2,684,668	190,838	132,032	2,413,723	2,816,700
Total	91,577,834	93,525,006	146,083,371	138,539,570	237,661,205	232,064,576
Construction in progress	487,483	-	414,058	7,397,581	901,541	7,397,581
Total	\$ 92,065,317	\$ 93,525,006	\$ 146,497,429	\$ 145,937,151	\$ 238,562,746	\$ 239,462,157

Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)

Capital Assets and Debt Administration (Continued)

The following reconciliation summarizes the change in Capital Assets for the years ended June 30, 2019 and 2018:

(Table 5)
Change in Capital Assets
Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Beginning balance	\$ 93,525,006	\$ 94,648,428	\$ 145,937,151	\$ 137,171,484	\$ 239,462,157	\$ 231,819,912
Additions	3,098,290	3,065,006	24,546,839	44,238,266	27,645,129	47,303,272
Retirements/Transfers	(549,361)	(165,717)	(9,436,420)	(22,940,787)	(9,985,781)	(23,106,504)
Depreciation	(4,008,618)	(4,022,711)	(14,550,143)	(12,531,812)	(18,558,761)	(16,554,523)
Ending balance	<u>\$ 92,065,317</u>	<u>\$ 93,525,006</u>	<u>\$ 146,497,427</u>	<u>\$ 145,937,151</u>	<u>\$ 238,562,744</u>	<u>\$ 239,462,157</u>

At June 30, 2019 and 2018, the County had \$67.4 and \$68.1 million in bonds, notes and financing obligations outstanding (net of unamortized premium discount). A total of \$2.5 million is due within one year. Additional information on the County's long-term liabilities can be found in Note 7 to the financial statements.

(Table 6)
Long-term Obligations
as of June 30, 2019 and 2018

	2019	2018
Governmental Activities:		
Bonds	\$ 11,105,000	\$ 11,520,000
Add: unamortized bond premium	78,297	83,938
Less: unamortized bond discount	(1,724)	(2,155)
Financing obligations	<u>13,465,478</u>	<u>11,363,007</u>
Sub-total	<u>24,647,051</u>	<u>22,964,790</u>
Business-type Activities:		
Solid Waste Fund	4,531,511	6,151,489
Hardin Memorial Hospital	38,107,352	38,879,730
Add: unamortized bond premium	119,638	129,813
Less: unamortized bond discount	-	-
Sub-total	<u>42,758,501</u>	<u>45,161,032</u>
Total	<u>\$ 67,405,552</u>	<u>\$ 68,125,822</u>

**Hardin County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Other matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2020 fiscal year budget:

- The 2020 fiscal year adopted budget continues services at the previous year's level.
- Emergency Medical Services (ambulance service) revenue is expected to increase by \$300,000 during fiscal year 2020 as a result of increased utilization and payments from contract support to Fort Knox.
- Road Department expenditures for county road maintenance continues to be budgeted at \$500,000 less during fiscal year 2020 as compared to fiscal 2015 due to reductions in the motor fuels tax by the Kentucky General Assembly in the spring of 2015. There is concern of additional reductions in state funding for county road maintenance as fuel prices remain low. Decreases in fuel prices would result in decreases in tax revenue generated by the state's motor fuels tax. Reduced funding from the motor fuels tax adversely impacts already strained county road maintenance efforts.
- Program cuts and inadequate reimbursements at the State and Federal level, particularly relating to the cost of housing prisoners, continues to negatively impact on future funding for County programs. The County may decide to alter the operations or funding of County operations due to impacts by State funding shortfalls for detention center operations.
- During fiscal year 2020 the county will complete a significant upgrade to the county's 911 communications infrastructure that began in fiscal year 2019 at an estimated cost of \$2,000,000. This upgrade is being funded thru a KACo lease for a five year period. Revenue to pay the \$470,000 anticipated annual debt service will be derived from increased 911 revenue beginning in fiscal year 2019. The monthly fees placed on landline phone bills was replaced earlier in 2018 with an annual fee added to the county property tax bills. This change results in every business and residence paying a 911 fee as opposed to only those residences and business with landline phones. The resulting increase in 911 revenue is anticipated to surpass the amount necessary for the budgeted annual debt service payment.
- In fiscal year 2020, maintenance responsibilities for county owned contained landfill for fiscal year 2020 and beyond were contracted out to the county's landfill contracted operator. The efficiencies gained by this change in the method of maintaining and operating the landfill will net the county an estimated \$1 million in revenue beginning in fiscal year 2020 as compared to recent fiscal years.

Due to the actions of State Government, pension fund contributions made by the Fiscal Court are increasing by \$300,000+ annually. Fiscal year 2020 is the second of at least four consecutive fiscal year to see these "stair-stepped" increases. By fiscal year 2022 it is anticipated the cumulative increase in pension payments will exceed \$1.3 million as compared to fiscal year 2018. These increases will add additional strain on maintaining county services at current levels without increased taxes.

Requests For Information

This financial report is designed to provide a general overview of Hardin County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Hardin County Treasurer, P.O. Box 568, Elizabethtown, Kentucky 42702-0568, (270) 765-4491.

**HARDIN COUNTY
BASIC FINANCIAL STATEMENTS**

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HARDIN COUNTY
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Unit
	Governmental	Business-Type	Totals	Hardin County
	Activities	Activities		Planning and
				Development
				Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 13,640,170	\$ 40,456,472	\$ 54,096,642	\$ 955,161
Restricted Cash				110,985
Investments	1,454,514		1,454,514	
Receivables	5,665,249	299,654	5,964,903	
Assets Whose Use is Limited-				
Required for Current Liabilities		1,461,273	1,461,273	
Patient Accounts Receivable, Net of				
Allowance; \$21,667,414		47,860,998	47,860,998	
Inventory	239,327	7,105,702	7,345,029	
Prepaid Expenses and Other		8,848,437	8,848,437	2,903
Estimated Third-Party Payor Settlements		2,395,026	2,395,026	
Total Current Assets	<u>20,999,260</u>	<u>108,427,562</u>	<u>129,426,822</u>	<u>1,069,049</u>
Noncurrent Assets:				
Assets whose use is limited-				
Noncurrent Portion		42,206,685	42,206,685	
Capital Assets - Net of Accumulated				
Depreciation				
Construction In Progress	487,483	414,058	901,541	
Land		12,857,766	12,857,766	
Land Improvements	18,731,488	1,199,040	19,930,528	
Landfill		15,375,646	15,375,646	
Buildings and Improvements	27,287,478	75,206,016	102,493,494	
Equipment, Furniture, and Books	3,284,739		3,284,739	
Machinery and Equipment		41,254,067	41,254,067	
Vehicles	2,222,885	190,838	2,413,723	
Infrastructure	40,051,244		40,051,244	
Total Noncurrent Assets	<u>92,065,317</u>	<u>188,704,116</u>	<u>280,769,433</u>	
Total Assets	<u>113,064,577</u>	<u>297,131,678</u>	<u>410,196,255</u>	<u>1,069,049</u>
Deferred Outflows of Resources	<u>10,199,145</u>	<u>10,681,394</u>	<u>20,880,539</u>	
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,346,136	223,966	2,570,102	5,662
Accrued Salaries				17,107
Accrued Liabilities	307,788	4,262	312,050	6,884
Accrued Liabilities-				
Primarily for Wages and Benefits		14,031,722	14,031,722	
Trade Accounts Payable		16,865,709	16,865,709	
Current Installments of Long-term Debt		799,884	799,884	
Estimated Third-Party Pays or Settlements		1,864,179	1,864,179	
Bonds Payable	630,000		630,000	
Financing Obligations Payable	527,827	509,778	1,037,605	

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

HARDIN COUNTY
STATEMENT OF NET POSITION
June 30, 2019
(Continued)

	Primary Government			Component Unit
	Governmental	Business-Type	Totals	Hardin County
	Activities	Activities		Planning and
				Development
				Commission
LIABILITIES (Continued)				
Current Liabilities: (Continued)				
Accrued Interest	\$ 87,095	\$ 881,102	\$ 968,197	\$
Developer Advances				110,985
Unearned Revenue				105,492
Compensated Absences	57,750		57,750	20,534
Total Current Liabilities	<u>3,956,596</u>	<u>35,180,602</u>	<u>39,137,198</u>	<u>266,664</u>
Noncurrent Liabilities:				
Bonds Payable	10,551,573		10,551,573	
Long-term Obligations		37,427,106	37,427,106	
Financing Obligations Payable	12,937,651	4,021,733	16,959,384	
Net Pension Liability	26,392,593	26,820,254	53,212,847	
Net OPEB Liability	7,754,103	9,094,146	16,848,249	
Other Noncurrent Liabilities		8,989,938	8,989,938	
Landfill Closure and Postclosure Payable		6,423,117	6,423,117	
Compensated Absences	473,581		473,581	
Total Noncurrent Liabilities	<u>58,109,501</u>	<u>92,776,294</u>	<u>150,885,795</u>	
Total Liabilities	<u>62,066,097</u>	<u>127,956,896</u>	<u>190,022,993</u>	<u>266,664</u>
Deferred Inflows of Resources	<u>3,904,309</u>	<u>131,777</u>	<u>4,036,086</u>	
NET POSITION				
Invested in Capital Assets, Net of Related Debt	67,331,171	100,171,752	167,502,923	
Restricted For:				
Landfill Closure and Postclosure Expendable for Employee Support		3,074,818	3,074,818	
Expendable for Hardin Memorial Hospital Foundation, Inc.		1,987,076	1,987,076	
Expendable for Bond Principal and Interest		1,461,273	1,461,273	
Permanent Funds - Non-Expendable	804,526		804,526	
Permanent Funds - Expendable	530,677		530,677	
Alcohol Beverage Control - Expendable	301		301	
Library	423,828		423,828	
Capital Outlay	35		35	
Inventory	239,327		239,327	
Unrestricted	<u>(12,036,549)</u>	<u>73,028,414</u>	<u>60,991,865</u>	<u>802,385</u>
Total Net Position	<u>\$ 57,293,316</u>	<u>\$ 179,724,397</u>	<u>\$237,017,713</u>	<u>\$ 802,385</u>

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

HARDIN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 6,933,868	\$ 298,415	\$ 210,242	\$
Protection to Persons and Property	16,361,625	11,363,068	1,603,910	
General Health and Sanitation	727,273	189,779	17,250	
Social Services	101,265		10,407	
Recreation and Culture	976,347	40,201	43,431	
Roads	4,697,617		2,477,210	338,525
Interest on Long-term Debt	364,988			
Capital Projects	13,401,639			13,401,638
Total Governmental Activities	<u>43,564,622</u>	<u>11,891,463</u>	<u>4,362,450</u>	<u>13,740,163</u>
Business-type Activities:				
Solid Waste	8,640,084	8,349,950		
Hardin Memorial Hospital	379,113,926	378,346,992		
Jail Canteen	879,612	1,015,996		
Total Business-type Activities	<u>388,633,622</u>	<u>387,712,938</u>		
Total Primary Government	<u>\$ 432,198,244</u>	<u>\$ 399,604,401</u>	<u>\$ 4,362,450</u>	<u>\$ 13,740,163</u>
Component Unit:				
Hardin County Planning and Development Commission	<u>\$ 514,217</u>	<u>\$ 350,162</u>	<u>\$</u>	<u>\$</u>
Total Component Unit	<u>\$ 514,217</u>	<u>\$ 350,162</u>	<u>\$ 0</u>	<u>\$ 0</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Noncapital Contributions

Special Item - Pension Termination Gain

Miscellaneous Revenues

Operating Subsidy

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

HARDIN COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019
(Continued)

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Hardin County Planning and Development Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (6,425,211)	\$	\$ (6,425,211)	\$
(3,394,647)		(3,394,647)	
(520,244)		(520,244)	
(90,858)		(90,858)	
(892,715)		(892,715)	
(1,881,882)		(1,881,882)	
(364,988)		(364,988)	
(1)		(1)	
(13,570,546)		(13,570,546)	
	(290,134)	(290,134)	
	(766,934)	(766,934)	
	136,384	136,384	
	(920,684)	(920,684)	
(13,570,546)	(920,684)	(14,491,230)	
			(164,055)
			\$ (164,055)
6,743,263		6,743,263	
518,720		518,720	
875,584		875,584	
1,233,419		1,233,419	
2,687,792		2,687,792	
103,114	3,045,363	3,148,477	4,902
	1,341,992	1,341,992	
	3,140,773	3,140,773	
1,085,215		1,085,215	24
			275,000
145,448	(145,448)		
13,392,555	7,382,680	20,775,235	279,926
(177,991)	6,461,996	6,284,005	115,871
57,471,307	173,262,401	230,733,708	686,514
\$ 57,293,316	\$ 179,724,397	\$ 237,017,713	\$ 802,385

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

HARDIN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Road Fund	Jail Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 11,808,859	\$ 698,539	\$ 139,065	\$ 344,318	\$ 12,990,781
Investments				1,454,514	1,454,514
Receivables	1,513,993	594,823	504,020	1,964,811	4,577,647
Inventory		239,327			239,327
Total Assets	<u>13,322,852</u>	<u>1,532,689</u>	<u>643,085</u>	<u>3,763,643</u>	<u>19,262,269</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	122,688	8,757	124,968	1,975,935	2,232,348
Accrued Liabilities	168,667	20,358	90,422	28,341	307,788
Total Liabilities	<u>291,355</u>	<u>29,115</u>	<u>215,390</u>	<u>2,004,276</u>	<u>2,540,136</u>
FUND BALANCES					
Nonspendable:					
Inventory		239,327			239,327
Permanent Fund Principal				804,526	804,526
Restricted For:					
General Government				265,943	265,943
Roads		1,264,247		239,985	1,504,232
Protection to Persons and Property			427,695		427,695
Recreation and Culture				448,878	448,878
Capital Outlay				35	35
Unassigned	<u>13,031,497</u>				<u>13,031,497</u>
Total Fund Balances	<u>13,031,497</u>	<u>1,503,574</u>	<u>427,695</u>	<u>1,759,367</u>	<u>16,722,133</u>
Total Liabilities and Fund Balances	<u>\$ 13,322,852</u>	<u>\$ 1,532,689</u>	<u>\$ 643,085</u>	<u>\$ 3,763,643</u>	<u>\$ 19,262,269</u>

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

HARDIN COUNTY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

Total Fund Balances	\$ 16,722,133
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	179,034,056
Accumulated Depreciation	(86,968,739)
Governmental Funds Do Not Record Deferred Outflows of Resources For Pensions And OPEB But Those Are Reported on the Statement of Net Position as Deferred Outflows of Resources.	10,199,145
Governmental Funds Do Not Record Deferred Inflows of Resources For Pensions And OPEB But Those Are Reported on the Statement of Net Position as Deferred Inflows of Resources.	(3,904,309)
Long-term Debt Is Not Due And Payable in the Current Period And, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(13,465,478)
Bonds	(11,181,573)
Compensated Absences	(531,331)
Accrued Interest	(87,095)
Net Pension Liability	(26,392,593)
Net OPEB Liability	(7,754,103)
Certain Receivables Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds	
Ambulance Receivables	1,018,224
Excess Fees	69,378
Internal Service Fund Net Assets	<u>535,601</u>
Net Position Of Governmental Activities	<u>\$ 57,293,316</u>

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

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	\$ 9,370,679	\$	\$
In Lieu Tax Payments	307		
Excess Fees	2,687,792		
Licenses and Permits	196,774	14,638	
Intergovernmental	897,403	2,815,735	5,145,278
Charges for Services	6,852,233		565,532
Miscellaneous	519,516	192,461	380,540
Interest	27,974	7,200	2,155
Total Revenues	<u>20,552,678</u>	<u>3,030,034</u>	<u>6,093,505</u>
EXPENDITURES			
General Government	4,646,398	7,212	
Protection to Persons and Property	7,973,620		5,883,932
General Health and Sanitation	717,638		
Social Services	101,265		
Recreation and Culture	2,302		
Roads		2,411,591	
Debt Service	531,863		248,125
Capital Projects			
Administration	703,901	480,657	2,238,558
Total Expenditures	<u>14,676,987</u>	<u>2,899,460</u>	<u>8,370,615</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,875,691</u>	<u>130,574</u>	<u>(2,277,110)</u>
Other Financing Sources (Uses)			
Financing Obligations	2,236,852		
Transfers From Other Funds	546,867	10,014	1,976,448
Transfers To Other Funds	<u>(3,278,956)</u>		
Total Other Financing Sources (Uses)	<u>(495,237)</u>	<u>10,014</u>	<u>1,976,448</u>
Net Change in Fund Balances	5,380,454	140,588	(300,662)
Fund Balances - Beginning	7,651,043	1,362,986	728,357
Fund Balances - Ending	<u>\$ 13,031,497</u>	<u>\$ 1,503,574</u>	<u>\$ 427,695</u>

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

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019
(Continued)

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 2,937	\$ 9,373,616
	307
	2,687,792
	211,412
13,445,069	22,303,485
40,201	7,457,966
10,973	1,103,490
65,786	103,115
<u>13,564,966</u>	<u>43,241,183</u>
22,851	4,676,461
	13,857,552
	717,638
	101,265
928,879	931,181
	2,411,591
	779,988
13,401,639	13,401,639
	3,423,116
<u>14,353,369</u>	<u>40,300,431</u>
<u>(788,403)</u>	<u>2,940,752</u>
	2,236,852
950,835	3,484,164
<u>(59,760)</u>	<u>(3,338,716)</u>
<u>891,075</u>	<u>2,382,300</u>
102,672	5,323,052
1,656,695	11,399,081
<u>\$ 1,759,367</u>	<u>\$ 16,722,133</u>

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

HARDIN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 5,323,052
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	2,047,600
Depreciation Expense	(4,008,618)
Capital Assets Purchased by Sheriff	318,000
Donated Roads	732,690
Assets disposed of, net book value	(549,361)
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Bond and Other Debt	(2,236,852)
Financing Obligations Principal Payments	134,381
Bond Principal Payments	415,000
Revenues in the Statement of Activities that do not Provide Current Financial Resources Are not Reported Are not Reported as Revenues in the Funds	307,216
Generally, Expenditures Recognized in this Fund Statement Are Limited to Only those that Use Current Resources, but Expenses Are Recognized in the Statement of Activities When they Are Incurred	41,696
Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) Are Reported With Governmental Activities.	241,198
The Difference Between Actuarial Pension and OPEB Contributions to CERS and Actual Contributions Made Are Recorded as Adjustments to Statement of Activities.	<u>(2,943,993)</u>
Change in Net Position of Governmental Activities	<u>\$ (177,991)</u>

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

HARDIN COUNTY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities			Totals	Governmental Activities- Internal Service Fund
	Enterprise Funds				
	Solid Waste Fund	Hardin Memorial Hospital	Jail Commissary Fund		
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 3,477,040	\$ 36,571,985	\$ 407,447	\$ 40,456,472	\$ 649,389
Receivables	239,469		60,185	299,654	
Assets Whose Use is Limited-					
Required for Current Liabilities		1,461,273		1,461,273	
Patient Accounts Receivable, Net of Allowance; \$21,667,414		47,860,998		47,860,998	
Inventory		7,105,702		7,105,702	
Prepaid Expenses and Other		8,848,437		8,848,437	
Estimated Third-Party Payor Settlements		2,395,026		2,395,026	
Total Current Assets	<u>3,716,509</u>	<u>104,243,421</u>	<u>467,632</u>	<u>108,427,562</u>	<u>649,389</u>
Noncurrent Assets:					
Assets whose use is limited-					
Noncurrent Portion		42,206,685		42,206,685	
Capital Assets:					
Construction in Progress		414,058		414,058	
Land	2,715,500	10,142,266		12,857,766	
Land Improvements		6,457,467		6,457,467	
Landfill	34,337,009			34,337,009	
Building and Improvements		140,386,776		140,386,776	
Machinery and Equipment	442,158	227,386,639	37,225	227,866,022	
Vehicles	242,972		122,941	365,913	
Less Accumulated Depreciation	<u>(19,449,314)</u>	<u>(256,658,051)</u>	<u>(80,217)</u>	<u>(276,187,582)</u>	
Total Noncurrent Assets	<u>18,288,325</u>	<u>170,335,840</u>	<u>79,949</u>	<u>188,704,114</u>	
Total Assets	<u>22,004,834</u>	<u>274,579,261</u>	<u>547,581</u>	<u>297,131,676</u>	<u>649,389</u>
Deferred Outflows of Resources	<u>105,215</u>	<u>10,576,179</u>		<u>10,681,394</u>	
Liabilities					
Current Liabilities:					
Accounts Payable	165,796		58,170	223,966	113,788
Accrued Liabilities	4,262			4,262	
Accrued Liabilities-					
Primarily for Wages and Benefits		14,031,722		14,031,722	
Trade Accounts Payable		16,865,709		16,865,709	
Current Installments of Long-term Debt		799,884		799,884	
Estimated Third-Party Pays or Settlements		1,864,179		1,864,179	
Accrued Interest Payable		881,102		881,102	
Financing Obligations Payable	<u>509,778</u>			<u>509,778</u>	
Total Current Liabilities	<u>679,836</u>	<u>34,442,596</u>	<u>58,170</u>	<u>35,180,602</u>	<u>113,788</u>

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

HARDIN COUNTY
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
June 30, 2019
(Continued)

	Business-Type Activities			Totals	Governmental Activities- Internal Service Fund
	Enterprise Funds				
	Solid Waste Fund	Hardin Memorial Hospital	Jail Commissary Fund		
Noncurrent Liabilities:					
Financing Obligations Payable	\$ 4,021,733	\$	\$	\$ 4,021,733	\$
Net Pension Liability	311,780	26,508,474		26,820,254	
Net OPEB Liability	90,923	9,003,223		9,094,146	
Long-term Obligations		37,427,106		37,427,106	
Landfill Closure and Postclosure Payable	6,423,117			6,423,117	
Other Noncurrent Liabilities		8,989,938		8,989,938	
Total Noncurrent Liabilities	<u>10,847,553</u>	<u>81,928,741</u>		<u>92,776,294</u>	
Total Liabilities	<u>11,527,389</u>	<u>116,371,337</u>	<u>58,170</u>	<u>127,956,896</u>	<u>113,788</u>
Deferred Inflows of Resources	<u>52,716</u>	<u>79,061</u>		<u>131,777</u>	
Net Position					
Invested in Capital Assets,					
Net of Related Debt	7,333,697	92,758,106	79,949	100,171,752	
Restricted for:					
Insurance Claims (Expandable)					535,601
Landfill Closure and Postclosure	3,074,818			3,074,818	
Expendable for Employee Support		1,064		1,064	
Expendable for Hardin Memorial					
Hospital Foundation, Inc.		1,987,076		1,987,076	
Expendable for Bond Principal and Interest		1,461,273		1,461,273	
Unrestricted	121,429	72,497,523	409,462	73,028,414	
Total Net Position	<u>\$ 10,529,944</u>	<u>\$ 168,705,042</u>	<u>\$ 489,411</u>	<u>\$ 179,724,397</u>	<u>\$ 535,601</u>

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

HARDIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities			Totals	Governmental Activities- Internal Service Fund
	Enterprise Funds				
	Solid Waste Fund	Hardin Memorial Hospital	Jail Commissary Fund		
Operating Revenues					
Licenses and Permits	\$ 149,610	\$	\$	\$ 149,610	\$
Intergovernmental	171,634			171,634	
Charges for Services	7,962,967			7,962,967	1,523,869
Miscellaneous	65,739			65,739	
Net Patient Service Revenue		376,692,745		376,692,745	
Other Operating Revenue		1,654,247		1,654,247	
Canteen Receipts			1,015,996	1,015,996	
Total Operating Revenues	<u>8,349,950</u>	<u>378,346,992</u>	<u>1,015,996</u>	<u>387,712,938</u>	<u>1,523,869</u>
Operating Expenses					
General Government	220,286			220,286	
General Health and Sanitation	7,057,328			7,057,328	
Cost of Sales			855,890	855,890	
Salaries, Wages, and Benefits		207,484,555		207,484,555	
Supplies		75,591,331		75,591,331	
Loss (Gain) on Capital Asset Disposals	1,210	(14,100)		(12,890)	
Insurance Claims and Expenses					1,282,671
Depreciation and Amortization	1,183,306	13,614,632	23,722	14,821,660	
Professional Services		50,801,925		50,801,925	
Administrative and Other		26,244,436		26,244,436	
Provider Tax		3,264,943		3,264,943	
Total Operating Expenses	<u>8,462,130</u>	<u>376,987,722</u>	<u>879,612</u>	<u>386,329,464</u>	<u>1,282,671</u>
Operating Income (Loss)	<u>(112,180)</u>	<u>1,359,270</u>	<u>136,384</u>	<u>1,383,474</u>	<u>241,198</u>
Nonoperating Revenues (Expenses)					
Interest Income	5,188	3,040,175		3,045,363	
Interest Expense	(177,954)	(2,126,204)		(2,304,158)	
Noncapital Contributions		1,341,992		1,341,992	
Total Nonoperating Revenues (Expenses)	<u>(172,766)</u>	<u>2,255,963</u>		<u>2,083,197</u>	
Net Income(Loss) Before Transfers and Contributions	<u>(284,946)</u>	<u>3,615,233</u>	<u>136,384</u>	<u>3,466,671</u>	
Special Item - Pension Termination Gain		3,140,773		3,140,773	
Transfers From Other Funds	461,000			461,000	
Transfers To Other Funds		(500,000)	(106,448)	(606,448)	
Change In Net Assets	176,054	6,256,006	29,936	6,461,996	241,198
Total Net Position - Beginning	<u>10,353,890</u>	<u>162,449,036</u>	<u>459,475</u>	<u>173,262,401</u>	<u>294,403</u>
Total Net Position - Ending	<u>\$ 10,529,944</u>	<u>\$ 168,705,042</u>	<u>\$ 489,411</u>	<u>\$ 179,724,397</u>	<u>\$ 535,601</u>

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

HARDIN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities			Totals	Governmental Activities Internal Service Fund
	Enterprise Funds				
	Solid Waste Fund	Hardin Memorial Hospital	Jail Commissary Fund		
Cash Flows From Operating Activities					
Cash Receipts From Customers for Sales	\$ 8,081,584	\$	\$ 994,327	\$ 9,075,911	\$ 1,523,869
Cash Received from Patient Services Revenues-Net		367,222,831		367,222,831	
Cash Received for Other Receipts-Net	386,983	(1,610,696)		(1,223,713)	
Cash Payments to Vendors and Contractors	(7,026,340)	(153,053,276)		(160,079,616)	
Cash Payments for Insurance Claims and Expenses					(1,190,299)
Cash Payments to Employees	(81,679)	(204,901,792)		(204,983,471)	
Cash Payments for Operating Expenditures			(853,281)	(853,281)	
Net Cash Provided (Used) By					
Operating Activities	<u>1,360,548</u>	<u>7,657,067</u>	<u>141,046</u>	<u>9,158,661</u>	<u>333,570</u>
Cash Flows From Noncapital Financing Activities					
Other Noncapital Financing Receipts, Net		1,341,992		1,341,992	
Transfers from Other Funds	461,000			461,000	
Transfers to Other Funds		(500,000)	(106,448)	(606,448)	
Net Cash Provided (Used) By					
Noncapital Financing Activities	<u>461,000</u>	<u>841,992</u>	<u>(106,448)</u>	<u>1,196,544</u>	
Cash Flows From Capital and Related Financing Activities					
Principal Payments on Long-term Obligations	(1,619,978)	(772,378)		(2,392,356)	
Interest Payments on Long-term Obligations	(181,141)	(2,150,994)		(2,332,135)	
Purchases of Capital Assets	(135,014)	(15,334,072)	(32,451)	(15,501,537)	
Proceeds from Sale of Capital Assets		14,100		14,100	
Net Cash Provided (Used) By					
Capital and Related Financing Activities	<u>(1,936,133)</u>	<u>(18,243,344)</u>	<u>(32,451)</u>	<u>(20,211,928)</u>	
Cash Flows From Investing Activities					
Sales and Redemptions of Investments		20,024,471		20,024,471	
Purchases of Investments		(20,675,462)		(20,675,462)	
Interest Earned	5,188	2,261,487		2,266,675	
Net Cash Provided (Used) By					
Investing Activities	<u>5,188</u>	<u>1,610,496</u>		<u>1,615,684</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(109,397)	(8,133,789)	2,147	(8,241,039)	333,570
Cash and Cash Equivalents - July 1	<u>3,586,437</u>	<u>44,705,774</u>	<u>405,300</u>	<u>48,697,511</u>	<u>315,819</u>
Cash and Cash Equivalents - June 30	<u>\$ 3,477,040</u>	<u>\$ 36,571,985</u>	<u>\$ 407,447</u>	<u>\$ 40,456,472</u>	<u>\$ 649,389</u>
Supplemental Cash Flows Information					
Capital Assets in Accounts Payable	\$	\$ 12,457	\$	12,457	\$

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

HARDIN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2019
(Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Fund
	Solid Waste Fund	Hardin Memorial Hospital	Jail Commissary Fund		
Operating Income (Loss)	\$ (112,180)	\$ 1,359,270	\$ 136,384	\$ 1,383,474	\$ 241,198
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities					
Provision for Uncollectible Accounts		27,014,808		27,014,808	
(Gain) Loss on Sale of Capital Assets		(14,100)		(14,100)	
Changes in Operating Assets and Liabilities:					
Patient Accounts Receivable		(32,280,116)		(32,280,116)	
Deferred Outflow of Resources	(12,398)	18,797		6,399	
Deferred Inflow of Resources	30,162	(28,542)		1,620	
Pension Liability	17,858	2,747,142		2,765,000	
OPEB Liability	99,044	(360,855)		(261,811)	
(Gain) Loss on Sale of Capital Assets	1,210			1,210	
Supply Inventory		75,642		75,642	
Prepaid Expenses and Other Assets		(2,153,190)		(2,153,190)	
Estimated Third-party Payer Settlements		(4,401,122)		(4,401,122)	
Accounts Receivable	118,617		(21,669)	96,948	
Accounts Payable and Other Liabilities	(353,523)	2,064,701	2,609	1,713,787	92,372
Accrued Liabilities	689			689	
Landfill Closure and Postclosure	387,763			387,763	
Depreciation Expense	1,183,306	13,614,632	23,722	14,821,660	
Net Cash Provided (Used) By Operating Activities	\$ 1,360,548	\$ 7,657,067	\$ 141,046	\$ 9,158,661	\$ 333,570

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

HARDIN COUNTY
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2019

	Agency Fund
	Jail Inmate Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 15,528
Total Assets	15,528
 Liabilities	
Amounts Held In Custody For Others	15,528
Total Liabilities	15,528
 Net Position	
Total Net Position	\$ 0

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

HARDIN COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For The Year Ended June 30, 2019

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Additions:	
Contributions:	
Inmates	\$ 11,645
Total Contributions	11,645
Deductions:	
Paid to Inmates	11,645
Total Deductions	11,645
Total Net Position - Beginning	_____
Total Net Position - Ending	\$ _____

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

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**HARDIN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Hardin County Fiscal Court have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

The financial statements of the Hardin County Fiscal Court include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, GASB 39, and GASB 61, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in financial management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the criteria stated in GASB 14, GASB 39, and GASB 61, management has included the Hardin County Public Library (Library Fund) and Hardin Memorial Hospital as blended component units. Management has also included Hardin County Planning and Development Commission as a discretely presented component unit.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blended method.

Hardin County Public Library

Based on KRS 173.310 the library is not a legally separate entity from the Hardin County Fiscal Court. The library cannot be sued in its own name without recourse to the fiscal court and does not have the right to buy, sell, lease, or mortgage property in its own name. This component unit is blended in the financial statements.

Hardin Memorial Hospital

The Hardin Memorial Hospital's (Hospital) combined financial statements include the operations of Hardin Memorial Hospital, Hardin Memorial Hospital Foundation, Inc. (Foundation), Carefirst Urgent Care Center, LLC (Carefirst), Hardin Professional Services, LLC (HPS), and Workwell, LLC (Workwell) (collectively, Hardin Memorial Hospital). The Hospital is operated as an unincorporated unit of the Hardin County Fiscal Court. The Hospital provides inpatient and outpatient services to the residents of Hardin County, Kentucky and the surrounding area. Pursuant to Internal Revenue Service Code Section 115, the hospital is exempt from federal income taxes. The Foundation was organized to support, enhance and expand the activities of Hardin Memorial Hospital and the Foundation is under the common control of the same Board of Trustees, the Hardin County Fiscal Court. The Foundation, Carefirst, HPS, and Workwell are considered blended component units of Hardin Memorial Hospital and as such, the financial statements of these entities are presented with those of the Hospital using the blending method.

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Hardin Memorial Hospital (Continued)

All material inter-organization balances and transaction have been eliminated, Hardin Memorial Hospital is separately audited and a copy of the independent auditor's report can be obtained from the Hospital's finance department, 913 North Dixie Avenue, Elizabethtown, Kentucky 42701.

Discretely Presented Component Unit

The component unit's columns in the government-wide financial statements include the data of the following organizations. It is reported on the Statement of Net Position and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Hardin County Planning and Development Commission

The Hardin County Planning and Development Commission (Planning Commission) is a Hardin County government agency that enforces regulations involving zoning, subdivision development, and local and state building and electrical codes in all areas of unincorporated Hardin County. The Planning Commission's board members are appointed by the county judge/executive with the approval of the Hardin County Fiscal Court. The fiscal court is able to impose its will on the Planning Commission. Financial information for the Planning and Development Commission is presently discretely within Hardin County's financial statements. The Planning Commission is audit separately and a copy of the independent auditor's report can be obtained from the Commission, 150 North Provident Way, 2nd Floor Suite 225, Elizabethtown, Kentucky 42701.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on sales, fees, and charges for support. Fiduciary funds are also excluded from the government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and liabilities of the primary government are included. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financials.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

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.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and deferred outflows and liabilities and deferred inflows, the difference being reported as net position. Net position is reported in three categories: 1) net investment in capital assets - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to other acquisition, construction, or improvement of those assets; 2) restricted net position - consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are presented as general revenues. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the county first applies restricted resources.

Fund Financial Statements

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

The primary government reports the following major governmental 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 revenue 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 expenditures 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 revenue 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 expenditures separately from the general fund.

The primary government also has the following non-major funds: state grants fund, Alcohol Beverage Control Fund, library fund, Fife Fund, Pauline Walker and Powell Duff Fund, and Pauline Walker and Powell Duff Library Trust Fund.

Special Revenue Funds:

The road fund, jail fund, state grants fund, alcohol beverage control fund, and library fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

State Grants Fund - The primary purpose of this fund is to account for grants received from the state government.

Alcohol Beverage Control Fund - This fund is for the administration of alcohol commissions received by the county.

Library Fund - This fund is a blended component unit. See Note 1B for additional information.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Permanent Funds:

The Fife Fund, Pauline Walker and Powell Duff Fund, and the Pauline Walker and Powell Duff Library Trust Fund are presented as permanent funds. Permanent funds are to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs.

Fife Fund - This fund was established by the will and codicils of H.B. Fife in 1955. The will imposed that the fund be held in perpetuity. This means the original \$270,000 principal should remain intact. The will created a trust for the following public purposes:

- 1) To aid in the construction and and/or maintenance of the public county roads and bridges of Hardin County.
- 2) To aid in the construction and/or maintenance of public airport.
- 3) To aid in the construction of a new courthouse or jail.

The trustee that administers the Fife Trust is a committee consisting of the following with each having one vote: Hardin County Judge/Executive, Hardin County Treasurer, and the Hardin County Fiscal Court. The majority of the committee has the full authority and discretion to decide how the income of the trust is to be spent. The will contained no language which would limit the discretion of this committee in the expenditure of the Fife Trust income. The only limitation on the committee's discretion is that which the law imposes on all trustees in that their decisions must not be arbitrary. The committee must give due consideration for requests for expenditures in each of the categories but it remains within the committee's sound discretion as to how the income of the trust is ultimately expended.

Pauline Walker and Powell Duff Fund - This fund was established by the will of Powell Duff in 1991. According to the will, this request "is given in memory of one who fought and wrought to improve the quality of life in southern Hardin County after she moved to Sonora in 1934." The trustee is the Hardin County Fiscal Court. The will imposed that the fund be held in perpetuity. This means the original \$459,526 principal should remain intact and the income may be spent annually as Fiscal Court sees fit.

Pauline Walker and Powell Duff Library Trust - This trust was created in 1986 for the benefit of the Hardin County Public Library, subject to the uses and purposes as follows:

- 1) The corpus (principal) of the trust is the sum of \$75,000.
- 2) The trustees of the trust are the county judge/executive, Library Board Chairperson, and the Hardin County Treasurer

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

Fiduciary Fund:

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the jail inmate fund for custodial purposes. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from inmates after incarceration.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for services, interest income, and intergovernmental revenues. All other governmental revenues are recognized when received. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, considered unearned until expenditures are made.

Non-exchange transactions, in which the county receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2019 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the county must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The primary government reports the following major proprietary funds:

Solid Waste Fund - This fund accounts for county landfill operations and garbage collections. The primary sources of revenue for this fund are from charges to customers for garbage collection and tipping fees.

Hardin Memorial Hospital - Hardin Memorial Hospital, (Hospital) a blended component unit of Hardin County, Kentucky, accounts for the activities of the Hardin Memorial Hospital. The Hospital provides inpatient and outpatient medical services to residents of Hardin County and the surrounding area. The Hospital defines operating activities, as reported on the Statement of Revenues, Expenses and Changes In Fund Net Position, as those that generally result from exchange transactions, such as payments received for providing goods and services and payments made for goods and services received. Nearly all the Hospital's revenues and expense are from exchange transactions. Certain revenues relied upon for operations, such as gifts and investment income, are recorded as non-operating revenues.

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

Internal Service Fund - The county's internal service fund is the employee insurance funds. This fund accounts for the costs of providing a self-insured health and dental insurance plan for the county's employees. Revenues include premiums and expenses include claims.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Hardin County Planning and Development Commission.

This component unit is presented in a separate column in the combined financial statements. It is also reported on the Statement of Net Position and the Statement of Activities in a separate total column that is labeled as "Hardin County Planning and Development Commission" to emphasize this organization's separateness from the fiscal court's primary government.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

E. Hardin County Elected Officials

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Assets Whose Use Is Limited and Investment Income for Hardin Memorial Hospital

Hardin Memorial Hospital's (Hospital), a blended component unit of the Hardin County Fiscal Court, assets whose use is limited include U.S. Treasury and agency obligations, and money market mutual funds, which are stated at fair value, and guaranteed investment contracts and certificates of deposit, which approximates fair value. Income from investments is reported as nonoperating investment income. Interest is earned on the guaranteed investment contract at rates of 2.55 percent for the Reserve Fund Account at June 30, 2019.

Assets whose use is limited are held in the Hospital's name by a custodial bank and include, (1) assets set aside by the board of directors (board) for capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes and (2) assets held by trustees under indenture agreement. Amounts required to meet current liabilities have been classified as current assets in the statement of fund net position.

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at a time of acquisition and in nonnegotiable certificates of deposits are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

H. Net Patient Service Revenue

Hardin Memorial Hospital, (Hospital) a blended component unit of Hardin County Fiscal Court, has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

The payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient non-acute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Primarily all inpatient and outpatient services rendered to Medicaid program beneficiaries are at prospectively determined rates. For certain outpatient services, the Hospital is reimbursed under a cost based methodology, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Net Patient Service Revenue (Continued)

Approximately 53 percent of net patient service revenue is from participation in the Medicare program and state-sponsored Medicaid programs for the year ended June 30, 2019. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible recorded estimates will change materially in the near term.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The 2019 net patient service revenue increased approximately \$4,687,000 due to the removal of previously estimated amounts that are no longer necessary as a result of final settlement.

I. Charity Care

Hardin Memorial Hospital, (Hospital) a blended component unit of Hardin County Fiscal Court, provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The Hospital provided charity care to patients amounting to approximately \$6,106,000 (based on the Hospital's normal charges foregone) for the year ended June 30, 2019. The costs of charity care provided under the Hospital's charity care policy were approximately \$1,675,000 for 2019. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

J. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

K. Inventory

Inventory for Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, consist of expendable supplies held for consumption, the costs of which are recorded as an expense as they are used. Inventory for the road fund consists of pipe and salt used in operations.

All inventories are stated at the lower costs or market on a first-in, first-out basis.

In the fund financial statements, reported inventories in the road fund do not constitute "available spendable resources" even though they are a component of total assets.

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Capital Assets and Depreciation

Capital assets, which include land, construction in progress, land improvements, buildings, building improvements, landfill, equipment, books, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Fund financial statements for governmental funds expense capital assets when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Buildings and Building Improvements	\$ 30,000	10-50
Equipment, Furniture, and Books	\$ 5,000	3-15
Vehicles	\$ 5,000	3-15
Infrastructure	\$ 30,000	7-50

The following estimated useful lives are being used by the Hospital:

	Useful Life (Years)
Land Improvements	2-25
Building and Leasehold Improvements	5-40
Equipment	2-20

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowings specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest incurred was \$2,126,204. Total interest capitalized was \$0.

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Equity

In the fund financial statements, the difference between the assets and deferred outflows and liabilities and deferred inflows of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable fund balances are those that cannot be spent on future obligations and must be maintained intact legally or contractually. At June 30, 2019, non-spendable fund balances were composed of \$239,327 related to inventory for the road fund and \$804,526 related to the corpus of the permanent funds.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the county had \$954,841 restricted in the non-major funds (\$530,677 in the permanent funds as required by the trust documents and \$424,164 in the special revenue funds), \$35 for capital outlay, \$301 for alcohol beverage control, and \$423,828 for the library.

Spendable includes the following:

- Restricted - amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed - amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned - for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the county or the delegated county committee or official given authority to assign amounts.
- Unassigned - for the general fund, amounts not classified as non-spendable, restricted, committed, or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed, or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution. There were no commitments at June 30, 2019.

For resources considered assigned, the county has designated the county judge/executive to carry out the intent of the fiscal court.

It is the policy of the county to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned, and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

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

Note 1. Summary of Significant Accounting Policies (Continued)

N. Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Provider Tax

Legislation enacted in 2006 by the Commonwealth of Kentucky established the current basis for calculating the health care provider tax on hospital services. Due to this legislation, the Hospital's provider tax rate calculation was changed during fiscal year 2007 to a fixed monthly payment based on fiscal year 2006 provider tax paid rather than a straight percent based on Hospital service revenues. The tax levied is for the purpose of providing funding for the Commonwealth of Kentucky Medicaid program.

P. Related Obligations and Jointly Governed Organizations

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 Hardin County Fiscal Court:

Hardin County Water District #1
Hardin County Water District #2

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 following is considered a joint venture of the Hardin County Fiscal Court:

Hardin County Industrial Foundation

Q. Receivables

In the Government-Wide Financial Statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the Government Activities include taxes.

In the Governmental Fund Financial Statements, material receivables include revenue accruals, such as taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectable but not available, are deferred in the Governmental Fund Financial Statements in accordance with the basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days of the year end, since they would be considered both measurable and available.

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

Note 1. Summary of Significant Accounting Policies (Continued)

R. Interfund Transactions

The Hardin County Fiscal Court has the following type of interfund transaction:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 5. Note that at the entity-wide level, the majority of interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once. Interfund transfers between governmental activities and business-type activities have not been eliminated.

S. Compensated Absences

Upon retirement from the county, an employee will receive from the county an amount of accumulated sick leave determined by the County Employees Retirement System and the value of accumulated vacation leave. Compensated absences are generally paid through the general, road, jail, and solid waste funds. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the county's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated compensated absences payable" in the general fund. There was no amount required to be recorded at June 30, 2019. The noncurrent portion of the liability is not reported.

Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, has established a paid time off (PTO) plan that provides each regular full-time and part-time employee a prescribed number of accruable hours off with pay each year. These accrued hours are to be used to compensate employees when away from work for elective absences, including vacation, holidays, minor illnesses, and personal business. The maximum PTO balance for any employee is 520 hours. Upon termination of employment, any remaining PTO balance is paid out in cash. Expense and the related liability are recognized as PTO hours are earned. The liability for PTO is calculated using the employee's regular base pay rate in effect on the balance sheet date.

Hardin County Planning and Development Commission, a discretely presented component unit of the Hardin County Fiscal Court, records a liability for vacation and compensatory time based on hours earned. The balance at July 1, 2018, was \$22,776. Increases were \$16,108 and decreases during the year were \$18,350. The balance at June 30, 2019, was \$20,534.

T. Goodwill

Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, has chosen to amortize goodwill over a 40 year useful life and has recorded goodwill net of accumulated amortization on the balance sheet in deferred outflows of resources. Total goodwill (net of accumulated amortization), relating to the acquisitions of a diagnostic imaging center, surgical center, an urgent medical care practice, and a cardiology practice, as of June 30, 2019, was \$9,028,927.

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

Note 1. Summary of Significant Accounting Policies (Continued)

U. Changes in Accounting Principles

The following accounting pronouncements were adopted and implemented during the fiscal year.

GASB Statement No. 83 - Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

V. Deferred Outflows/Inflows

GASB Statement No. 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, acquisition of net assets by the county that is applicable to a future reporting period. GASB Statement No. 68, GASB Statement No. 71, and GASB Statement No. 75 provide financial reporting guidance relative to deferred inflows/outflows as a result of pension OPEB related transactions.

Note 2. Deposits and Investments

A. Deposits

The primary government and the Planning and Development Commission, a discretely presented component unit, 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, the primary government and the discretely presented unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2019, the fiscal court has the following investments and maturities:

Type	Fair Value	Average Credit Quality/Ratings	Maturities (In Years)			
			Less Than 1	1-5	6-10	More Than 10
Money Market Funds	\$ 4,276	Unrated	\$ 4,276	\$	\$	\$
iShares Treasury Bond ETF	969,459	Unrated		969,459		
Open-Ended Mutual Funds	261,417	Unrated	261,417			
Total Investments With Maturities	1,235,152		\$ 265,693	\$ 969,459	\$	\$
External Investment Pool	219,362	Unrated	N/A	N/A	N/A	N/A
Total Investments	\$ 1,454,514					

Hardin Memorial Hospital, a blended component unit, had the following investments and maturities:

Type	Fair Value	Maturities (In Years)	
		Less Than 1	1-10
U.S. Agencies Obligations	\$ 9,497,494	\$ 3,109,288	\$ 6,388,206
U.S. Treasury Obligations	28,526,833	2,244,994	26,281,839
Guaranteed Investment Contracts	4,247,093		4,247,093
Money Market Mutual Funds	587,390	587,390	
Total	\$ 42,858,810	\$ 5,941,672	\$ 36,917,138

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three level of inputs that may be used to measure fair value:

Level 1 Quoted prices in active market for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are full term of the assets of liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, inputs of which are market-based or independently sources market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

At June 30, 2019, the fiscal court's money market funds and open-ended mutual funds were Level 1 inputs and its external investment pool was a Level 2 input.

At June 30, 2019, the Hardin Memorial Hospital, a blended component unit of the Hardin County Fiscal Court, U.S. Agencies and U.S. Treasury Obligations were Level 2 inputs and its money-market mutual funds were Level 1 inputs.

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 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 the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The fiscal court's investments in securities are held by the counterparty's trust department in the fiscal court's name. The fiscal court does not record any investments at amortized costs. The investment in the external pool is not SEC-registered and is under the oversight of the Central Kentucky Community Foundation. The fair value of the position in the pool is the same as the value of pool shares.

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 having a physical presence in Kentucky 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(4).
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a nationally recognized rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a competent 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 competent rating agency.

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

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk (Continued)

- 10) Shares of mutual funds and exchange traded funds, each of which shall have the following characteristics:
- a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - b) The management company of the investment company shall have been in operation for at least five years.
 - c) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

The fiscal court is limited to investing no more than 20 percent in categories 5, 6, 7, 9, and 10 above per state statute and the fiscal court's investment policy. As of June 30, 2019, the fiscal court has investments of less than 20 percent in these categories.

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 not have 5 percent or more of the fiscal court's investments invested in any single security.

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.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The fiscal court's policy historically has been to invest only in securities in U.S. denominations.

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

Note 3. Disaggregation of Accounts of Accounts Payable and Accounts Receivable

Accounts payable for the Hardin County Fiscal Court are amounts owed by the county as of June 30, 2019. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent accounts payable. Accounts receivable are amounts owed to the county. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

Current Account Payables	Governmental Activities	Business- Type Activities	Total
General Government	\$ 80,162	\$	\$ 80,162
Protection to Persons and Property	159,386		159,386
General Health and Sanitation	5,284		5,284
Social Services	835		835
Roads	6,989		6,989
Capital Projects	1,964,517		1,964,517
Administration	3,757		3,757
Canteen Payables		58,170	58,170
Landfill Payables		165,796	165,796
Library Payables	11,418		11,418
Insurance Claims	113,788		113,788
	<u>\$ 2,346,136</u>	<u>\$ 223,966</u>	<u>\$ 2,570,102</u>
Current Receivables	Governmental Activities	Business- Type Activities	Total
Taxes - Current	\$ 184,058	\$ 1,153	\$ 185,211
Taxes - Delinquent	12,774		12,774
Excess Fees	337,987		337,987
Ambulance Receivables	7,051,000		7,051,000
Hospital Patient Accounts		69,528,412	69,528,412
Inmate Receivables		60,185	60,185
Intergovernmental - State	3,167,177		3,167,177
Miscellaneous	207,707	238,316	446,023
	<u>\$ 10,960,703</u>	<u>\$ 69,828,066</u>	<u>\$ 80,788,769</u>
Gross Receivables			
Less: Allowance for Uncollectibles	5,295,454	21,667,414	26,962,868
	<u>\$ 5,665,249</u>	<u>\$ 48,160,652</u>	<u>\$ 53,825,901</u>
Net Total Receivables			

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

Note 4. Concentrations of Credit Risk

Hardin County grants credit without collateral to garbage collection, ambulance service, and landfill customers. The county has established an allowance of \$5,295,454 for ambulance service accounts. No allowance has been established for garbage and landfill accounts. Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The Hospital has established an allowance of \$21,667,414. The percentages of receivables from patients and third-party payors as of June 30, 2019, were as follows:

Medicare	38%
Medicaid	12%
Other Third-part Payors	42%
Patients	8%
	100%

Note 5. Interfund Transfers

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

	General Fund	Non-Major Governmental Funds	Total Transfers In
General Fund	\$	\$ 46,867	\$ 46,867
Road Fund		10,014	10,014
Jail Fund	1,870,000		1,870,000
Solid Waste Fund	461,000		461,000
Non-Major Governmental Funds	947,956	2,879	950,835
Total Transfers Out	<u>\$ 3,278,956</u>	<u>\$ 59,760</u>	<u>\$ 3,338,716</u>

Reason for transfers:

(1) To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them; and (2) to move resources from the permanent funds to the fund designated to receive the earnings. These transfers were eliminated in the preparation of the *Statement of Activities* to include only those transfers between governmental activities and business-type activities.

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Reporting Entity			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deductions	
Primary Government: Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 18,731,488	\$	\$	\$ 18,731,488
Construction In Progress		487,483		487,483
Total Capital Assets Not Being Depreciated	18,731,488	487,483		19,218,971
Depreciable Capital Assets				
Buildings	35,452,713			35,452,713
Equipment and Books	12,009,447	828,555	(65,450)	12,772,552
Vehicles	7,561,305	469,200	(2,205,833)	5,824,672
Infrastructure	104,452,096	1,313,052		105,765,148
Total Depreciable Capital Assets	159,475,561	2,610,807	(2,271,283)	159,815,085
Less Accumulated Depreciation For:				
Buildings	(7,565,819)	(599,416)		(8,165,235)
Equipment and Books	(8,959,464)	(590,526)	62,177	(9,487,813)
Vehicles	(4,876,637)	(384,895)	1,659,745	(3,601,787)
Infrastructure	(63,280,123)	(2,433,781)		(65,713,904)
Total Accumulated Depreciation	(84,682,043)	(4,008,618)	1,721,922	(86,968,739)
Total Capital Assets, Being Depreciated, Net	74,793,518	(1,397,811)	(549,361)	72,846,346
Governmental Activities Capital Assets, Net	\$ 93,525,006	\$ (910,328)	\$ (549,361)	\$ 92,065,317

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 515,364
Protection to Persons and Property	878,534
General Health and Sanitation	9,635
Recreation and Culture	171,304
Roads, Including Depreciation of General Infrastructure Assets	2,433,781
Total Depreciation Expense - Governmental Activities	\$ 4,008,618

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

Note 6. Capital Assets (Continued)

Capital asset activity for Business-Type Activities for the year ended June 30, 2019, was as follows:

	Reporting Entity			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deductions	
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 12,489,755	\$ 368,011	\$	\$ 12,857,766
Construction In Progress	7,397,581	2,451,687	(9,435,210)	414,058
Total Capital Assets Not Being Depreciated	19,887,336	2,819,698	(9,435,210)	13,271,824
Depreciable Capital Assets				
Land Improvements	6,100,110	357,357		6,457,467
Buildings and Improvements	133,920,717	6,466,059		140,386,776
Landfill	28,805,206	5,531,803		34,337,009
Equipment	219,218,235	9,275,305	(627,518)	227,866,022
Vehicles	269,296	96,617		365,913
Total Depreciable Capital Assets	388,313,564	21,727,141	(627,518)	409,413,187
Less Accumulated Depreciation For:				
Land Improvements	(5,001,496)	(256,931)		(5,258,427)
Buildings and Improvements	(59,980,010)	(5,200,750)		(65,180,760)
Landfill	(17,803,572)	(1,157,791)		(18,961,363)
Equipment	(179,341,407)	(7,896,858)	626,310	(186,611,955)
Vehicles	(137,264)	(37,813)		(175,077)
Total Accumulated Depreciation	(262,263,749)	(14,550,143)	626,310	(276,187,582)
Total Capital Assets, Being Depreciated, Net	126,049,815	7,176,998	(1,208)	133,225,605
Business-Type Activities Capital Assets, Net	\$ 145,937,151	\$ 9,996,696	\$ (9,436,418)	\$ 146,497,429

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Solid Waste Fund	\$ 1,183,306
Jail Commissary Fund	23,722
Hardin Memorial Hospital	13,343,115
Total Depreciation Expense - Business-Type Activities	\$ 14,550,143

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

Note 6. Capital Assets (Continued)

Capital asset activity for the discretely presented component units for the year ended June 30, 2019, was as follows:

**Discretely presented
major component unit:**

Hardin County Planning and Development Commission:	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets, Being Depreciated:				
Equipment	\$ 20,196	\$	\$	\$ 20,196
Vehicles	23,140			23,140
Total Capital Assets Being Depreciated	43,336			43,336
Less Accumulated Depreciation For:				
Equipment	(20,196)			(20,196)
Vehicles	(23,140)			(23,140)
Total Accumulated Depreciation	(43,336)			(43,336)
Total Capital Assets, Being Depreciated, Net				
Capital Assets, Net	\$ 0	\$ 0	\$	\$ 0

Note 7. Long-term Debt

A. Direct Borrowings

1. Chest Compression Equipment

On August 18, 2015, the Hardin County Fiscal Court entered into a lease agreement with U. S. Bank Equipment Finance in the amount of \$125,818 to purchase chest compression equipment. The terms of the lease consist of 36 monthly principal payments. The principal balance at June 30, 2019, was \$0.

2. Cots

On September 26, 2016, the Hardin County Fiscal Court entered into a lease agreement with Stryker Flex Financial in the amount of \$121,150 to purchase cots. The terms of the lease consist of three annual principal payments. The principal balance at June 30, 2019, was \$0.

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

Note 7. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

3. Glendale Project

On August 9, 2002, the Hardin County Fiscal Court entered into a non-interest bearing loan agreement with the Kentucky Cabinet of Economic Development to provide funds to assist in purchasing a parcel of land at Glendale, Kentucky, to be used as a future manufacturing site. The loan provides for up to \$10,950,000, of funds and is for a period of ten years with an automatic renewal for another period of ten years. The principal outstanding as of June 30, 2019, was \$10,639,585. The Hardin County Fiscal Court is not required to repay any principal unless the land is sold. The fiscal court is only required to repay principal in the amount of net proceeds received for the sale of the land. The loan is secured by a mortgage on the land. Upon any default under this note, the holder of this note may, at its option, declare the entire unpaid balance of, and all accrued interest on, this note to be immediately due and payable.

B. General Obligation Refunding Bonds, Series 2008

The County of Hardin, Kentucky issued \$9,830,000 General Obligation Refunding Bonds, Series 2008 dated June 2008, at an interest rate of 3.4 percent. The proceeds of the bonds were for the purpose of refunding and retiring a portion of the county's 1999 General Obligation Bonds and a Solid Waste Project (expansion). Principal payments are due each year on June 1. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning December 1, 2008. The bond issue was paid in full as of June 30, 2019.

C. General Obligation Refunding and Improvement Bonds, Series 2011

The County of Hardin, Kentucky issued \$3,915,000 in General Obligation Refunding and Improvement Bonds, Series 2011, dated November 30, 2011, to refund the Series 2002 General Obligation Bonds (Detention Facility Project). The final maturity date of the Series 2011 bonds is December 1, 2021, and the bonds carry an interest rate ranging from 1 percent to 2.25 percent. The fiscal court completed the refunding to reduce its total debt service payments over the next 12 years by \$382,603 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$353,621. Principal payments are due each year on December 1. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning June 1, 2012.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than 50 percent in principal amount of the outstanding bonds, by annulling such declaration and its consequences. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

The principal balance as of June 30, 2019, was \$730,000. Annual debt service requirements to maturity are as follows:

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

Note 7. Long-term Debt (Continued)

C. General Obligation Refunding and Improvement Bonds, Series 2011 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 240,000	\$ 13,425
2021	240,000	8,325
2022	250,000	2,813
Totals	<u>\$ 730,000</u>	<u>\$ 24,563</u>

D. General Obligation Bonds, Series 2014A and 2014B

The County of Hardin, Kentucky issued \$11,055,000 (\$1,255,000 Series A and \$9,800,000 Series B) in General Obligation Bonds, dated April 30, 2014, for the construction of a new government building. The bonds were issued at interest rates ranging from 2 percent to 4 percent and will be retired by April 1, 2039. Principal payments are due each year on April 1. Interest on the bonds will be payable semi-annually on April 1 and October 1, beginning October 1, 2014.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than 50 percent in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

The principal balance for Series 2014A as of June 30, 2019, was \$575,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 200,000	\$ 14,538
2021	205,000	10,038
2022	125,000	4,912
2023	45,000	1,350
Totals	<u>\$ 575,000</u>	<u>\$ 30,838</u>

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

Note 7. Long-term Debt (Continued)

D. General Obligation Bonds, Series 2014A and 2014B (Continued)

The principal balance for Series 2014B as of June 30, 2019, was \$9,800,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 190,000	\$ 328,625
2021	195,000	324,825
2022	285,000	320,925
2023	375,000	315,225
2024	430,000	305,850
2025-2029	2,325,000	1,347,675
2030-2034	2,730,000	947,300
2035-2039	3,270,000	402,400
Totals	<u>\$ 9,800,000</u>	<u>\$ 4,292,825</u>

E. Direct Placement

The Hardin County Fiscal Court does not have an outstanding balance from direct placement related to governmental activities. However, the fiscal court has pledged \$60,000 as collateral for their VISA credit card with Cecilian Bank.

F. Revenue Bonds - Hardin Memorial Hospital

Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, issued revenue bonds totaling \$39,400,000, at interest rates ranging from 5 percent to 5.5 percent, for North Tower and Emergency Department projects. Interest payments are due February 1 and interest and principal payments are due August 1. The bond agreement requires the Hospital to fund certain accounts, which are included in assets whose use is limited, to be pay principal and interest. Such agreements also contain several covenants and restrictions involving the source of additional debt and income available for debt service and operations of the Hospital. At June 30, 2019, the Hospital was in compliance with such requirements.

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

Note 7. Long-term Debt (Continued)

F. Revenue Bonds - Hardin Memorial Hospital (Continued)

The principal balance for the Hospital's Revenue Bonds as of June 30, 2019, was \$37,670,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 645,000	\$ 2,096,101
2021	680,000	2,058,008
2022	725,000	2,017,614
2023	765,000	1,975,733
2024	805,000	1,932,558
2025-2029	4,720,000	8,976,288
2030-2034	6,190,000	7,512,488
2035-2039	7,970,000	5,510,220
2040-2044	10,195,000	2,963,241
2045-2046	4,975,000	290,231
Totals	<u>\$ 37,670,000</u>	<u>\$ 35,332,482</u>

G. Hardin Memorial Hospital Line of Credit

One November 1, 2011, the Hospital obtained a \$5,000,000 revolving line of credit, expiring on January 20, 2020. At June 30, 2019, there was \$0 borrowed against this line. The line is collateralized by substantially all of the Hospital's assets. Interest on any outstanding balance is payable monthly at a prime rate of interest (5.75 percent on June 30, 2019).

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

Note 7. Long-term Debt (Continued)

H. Aggregate Debt Schedules

The amounts of required principal and interest payments on long-term obligations at June 30, 2019, were as follows:

Fiscal Year Ended June 30	Governmental Activities			
	Bonds		Financing Obligations	
	Principal	Interest	Principal	Interest
2020	\$ 630,000	\$ 356,588	\$ 527,827	\$ 95,136
2021	640,000	343,188	530,942	74,834
2022	660,000	328,650	534,164	54,613
2023	420,000	316,575	537,498	34,280
2024	430,000	305,850	540,947	13,832
2025-2029	2,325,000	1,347,675	154,515	298
2030-2034	2,730,000	947,300		
2035-2039	3,270,000	402,400		
	<u>\$ 11,105,000</u>	<u>\$ 4,348,226</u>	<u>\$ 2,825,893</u>	<u>\$ 272,993</u>
Fiscal Year Ended June 30	Business-type Activities			
	Bonds		Financing Obligations	
	Principal	Interest	Principal	Interest
2020	\$ 645,000	\$ 2,096,101	\$ 509,778	\$ 127,871
2021	680,000	2,058,008	525,021	112,401
2022	725,000	2,017,614	540,719	96,468
2023	765,000	1,975,733	556,886	80,058
2024	805,000	1,932,558	573,537	63,159
2025-2029	4,720,000	8,976,288	1,825,570	82,949
2030-2034	6,190,000	7,512,488		
2035-2039	7,970,000	5,510,220		
2040-2044	10,195,000	2,963,241		
2045-2046	4,975,000	290,231		
	<u>\$ 37,670,000</u>	<u>\$ 35,332,482</u>	<u>\$ 4,531,511</u>	<u>\$ 562,906</u>

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

Note 7. Long-term Debt (Continued)

I. Changes In Long-term Debt

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 11,520,000	\$	\$ 415,000	\$ 11,105,000	\$ 630,000
Unamortized Premium	83,938		5,641	78,297	
Unamortized Discount	(2,155)		(431)	(1,724)	
Direct Borrowings:					
Glendale	10,639,585			10,639,585	
Other	723,422	2,236,852	134,381	2,825,893	527,827
Compensated Absences	566,515		35,184	531,331	57,750
Governmental Activities Long-term Liabilities	<u>\$ 23,531,305</u>	<u>\$ 2,236,852</u>	<u>\$ 589,775</u>	<u>\$ 25,178,382</u>	<u>\$ 1,215,577</u>
	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Business-Type Activities</u>					
General Obligation Refunding Bonds	\$ 1,125,000	\$	\$ 1,125,000	\$	\$
Hospital Revenue Bonds, Series 2013A	38,280,000		610,000	37,670,000	645,000
Unamortized Premium	129,813		10,175	119,638	
Hospital Capital Lease Obligations	599,730		162,378	437,352	154,884
Direct Borrowings	5,026,489		494,978	4,531,511	509,778
Business-Type Activities Long-Term Liabilities	<u>\$ 45,161,032</u>	<u>\$</u>	<u>\$ 2,402,531</u>	<u>\$ 42,758,501</u>	<u>\$ 1,309,662</u>

The general fund, road fund, jail fund, and solid waste fund are primarily responsible for liquidating other long-term liabilities.

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

Note 7. Long-term Debt (Continued)

J. Continuing Disclosure Requirements

In accordance with the requirements of Rule 15c2-12 (Rule) promulgated by the Securities and Exchange Commission (SEC), both the county and the Hospital have agreed in a Continuing Disclosure Agreements to provide or cause to be provided through a designated agent, in a timely manner not in excess of 10 business days after the occurrence of such event, to the Electronic Municipal Market Access system (EMMA) at <http://www.emma.msrb.org>, notice of the occurrence of any of the following events with respect to their bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;
- (g) modifications to rights of the Bondholders, if material;
- (h) Bond calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Hospital;
- (m) consummation of a merger, consolidation, or acquisition involving the Hospital or the sale of all or substantially all of the assets of the Hospital, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and/or
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Debt Description	Financial Statement due after June 30 fiscal year end	Financial Disclosure or Event Notice
General Obligation Refunding Bonds		
Hardin County Solid Waste, Series 2008	January 1	Posted on December 21, 2018. Bonds paid in full on May 29, 2019.
General Obligation Refunding and Improvement Bonds:		
Detention Facility Project, Series 2011	December 31	Posted on December 21, 2018.
General Obligation Bonds:		
County Administrative Office Project, Series 2014A	January 31	Posted on December 21, 2018.
County Administrative Office Project, Series 2014B	January 31	Posted on December 21, 2018.
Revenue Bonds:		
Hardin Memorial Hospital	December 27	Posted on December 27, 2018. Notice of Sale of Hospital- May 30, 2018

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

Note 7. Long-term Debt (Continued)

K. Assets Financed With Capital Leases (Financing Obligations)

1. 911 Equipment

On March 26, 2015, the Hardin County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$920,000 for the purpose of purchasing 911 equipment. The interest rate is 3.35 percent with payments due on the 20th of each month and principal payments due annually on the 20th until the termination date of July 20, 2024. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past dues lease payments and then to the portion of lease payments applicable to the principal component in inverse order of their due date and any related court costs and legal fees.

The principal balance as of June 30, 2019, was \$589,041. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 90,018	\$ 16,969
2021	93,133	13,857
2022	96,355	10,638
2023	99,689	7,308
2024	103,139	3,863
2025	106,707	298
Totals	<u>\$ 589,041</u>	<u>\$ 52,933</u>

2. 911 Radio Communication Equipment

On January 17, 2019, the Hardin County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$1,950,000 for the purpose of purchasing 911 radio communication equipment. The interest rate is 4.30 percent with payments due on the 20th of each month and principal payments due annually on the 20th until the termination date of January 20, 2024. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payments applicable to the principal component in inverse order of their due date and any related court costs and legal fees.

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

Note 7. Long-term Debt (Continued)

K. Assets Financed With Capital Leases (Financing Obligations) (Continued)

2. 911 Radio Communication Equipment (Continued)

The principal balance as of June 30, 2019, was \$1,950,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 390,000	\$ 78,167
2021	390,000	60,977
2022	390,000	43,975
2023	390,000	26,972
2024	390,000	9,969
Totals	<u>\$ 1,950,000</u>	<u>\$ 220,060</u>

3. Landfill Expansion

On July 15, 2016, the Hardin County Fiscal Court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$5,500,000 for the purpose of financing the construction of Phase 3B Hardin County Landfill - Pearl Hollow Landfill. The interest rate is 2.99 percent with payments due semi-annually on the 20th of the month and principal payments due annually on the 20th until the termination date of July 20, 2026. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, sell or lease the project or sublease it for the account of lessee, holding lessee liable for all lease payments and other payments due during the remaining lease term to the extent that such selling, leasing or subleasing fails to provide amounts which are sufficient to pay the remaining lease payments when due, with any proceeds of the sale of the project being applied first to all past due lease payments and then to the portion of lease payments applicable to the principal component in inverse order of their due date and any related court costs and legal fees.

The principal balance as of June 30, 2019, was \$4,531,511. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 509,778	\$ 127,871
2021	525,021	112,401
2022	540,719	96,468
2023	556,886	80,058
2024	573,537	63,159
2025-2027	1,825,570	82,949
Totals	<u>\$ 4,531,511</u>	<u>\$ 562,906</u>

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

Note 7. Long-term Debt (Continued)

K. Assets Financed With Capital Leases (Financing Obligations) (Continued)

4. Cardiac Monitors

On December 11, 2018, the Hardin County Fiscal Court entered into a lease agreement with Stryker Flex Financial in the amount of \$286,852 to purchase cardiac monitors. The terms of the lease consist of six annual principal payments. Upon default, Stryker Flex may a) declare the entire balance of unpaid payments for the full term immediately due and payable; b) sue for and receive the total amount due plus the equipment's anticipated end-of-term fair market value or fixed price purchase option; c) charge interest on all monies due at the rate of 18 percent per year from the date of default until paid; and/or d) require that equipment be immediately returned or it may peaceably be repossessed.

The principal balance as of June 30, 2019, was \$286,852. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2020	\$ 47,809	\$
2021	47,809	
2022	47,809	
2023	47,809	
2024	47,808	
2025	47,808	
Totals	<u>\$ 286,852</u>	<u>\$</u>

At June 30, 2019, capitalized leases included landfill expansion and equipment as follows:

	Primary Government	
	Governmental Activities	Business- Type Activities
Equipment		
Cardiac Monitors	\$ 286,852	\$
911 Equipment	920,000	
Landfill Expansion		5,500,000
Total	1,206,852	5,500,000
Less Accumulated Depreciation:	404,102	
Total Capital Assets, Being Depreciated, Net	<u>802,750</u>	<u>5,500,000</u>

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

Note 8. Hardin Memorial Hospital - Operating Leases

Noncancellable operating leases for certain equipment and real property expire in various years through 2037. Rental payments include minimum rentals. Future minimum lease payments at June 30, 2019, were:

Fiscal Year Ended June 30	Amount
2020	\$ 6,699,168
2021	5,456,552
2022	4,757,238
2023	4,533,272
2024	3,784,349
2025-2029	15,118,305
2030-2034	10,299,153
2035-2039	2,293,467
Future Minimum Lease Payments	<u>\$ 52,941,504</u>

Note 9. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill

State and federal laws and regulations require the Hardin County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. Total landfill closure and postclosure at June 30, 2019, at \$7,964,435 and \$1,567,907 based on landfill capacity used to date. The current portion of estimated costs total \$6,423,117. Actual cost may be higher due to inflation, changes in technology, or changes in applicable laws or regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is 2165. No cost related to closure or postclosure care has been incurred to date. In December 2000, the county began contributing \$62,600 per quarter to a landfill escrow account to be used at closure. The quarterly amount changed to \$8,750 per quarter in September 2009. The balance of the account at June 30, 2019, was \$3,074,818. This amount is reflected as restricted net position in the accompanying financial statements. As of January 5, 2019, approximately 16 percent of the landfill airspace capacity has been used. The estimated remaining landfill life is 146 years.

Note 10. Employee Retirement System

A. Plan Description

The Hardin County 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, health, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Cost-of-living adjustments are provided at the discretion of the State Legislature. This impacts all retirees regardless of tier. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system. The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget.

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

Note 10. Employee Retirement System (Continued)

A. Plan Description (Continued)

The county's contribution rate for nonhazardous employees for fiscal year 2019 was 21.48 percent. The county's contribution rate for hazardous employees for fiscal year 2019 was 35.34 percent. The county's contribution for FY 2017 was \$1,298,165, FY 2018 was \$1,520,466, and FY 2019 was \$1,712,551.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members paid from the retirement fund have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Nonhazardous

Benefits fully vest on reaching five years of service for nonhazardous employees. The table below shows additional relevant information concerning nonhazardous employee retirement benefits.

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008 Defined Benefit	Participation 9/1/2008 through 12/31/2013 Defined Benefit	Participation on or after 1/1/2014 Cash Balance Plan
Covered Employees:	Substantially all regular full-time members employed in non-hazardous duty positions of any participating employer.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation
Benefit Factor:	1.97% or 2% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years.)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.

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

Note 10. Employee Retirement System (Continued)

A. Plan Description (Continued)

Nonhazardous (Continued)

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008 Defined Benefit	Participation 9/1/2008 through 12/31/2013 Defined Benefit	Participation on or after 1/1/2014 Cash Balance Plan
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit/Penalty on Reduced Benefit:	Any age with 25 years of service. Age 55 with 5 years of service. Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next five years away from 27 years or age 65.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military) Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next five years away from the rule of 87 or age 65, if age 60 with 10 years of service.	No reduced retirement benefit.
Employee Contributions:	5% total member contribution	6% total member contribution; 5% to defined benefit pension and 1% Health Insurance Contribution	6% total member contribution; 5% to defined benefit pension and 1% Health Insurance Contribution

Before 09/01/2008

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

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

Note 10. Employee Retirement System (Continued)

A. Plan Description (Continued)

Nonhazardous (Continued)

On Or After 9/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service)

On or After 1/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

Benefit Formula

Final Compensation	x	Benefit Factor	x	Years of Service
Average of the five highest if participation began before 9/1/2008	2.20%	Member begins participating prior to 8/1/2004		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
	2.20%	Member begins participating on or after 8/1/2004 and before 09/01/2008		
Average of the last complete five if participation began on or after 09/01/2008	Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if	Member begins participating on or after 9/1/2008		

* **Service (and Benefit Factor) : 10 years or less (1.10%); 10-20 years (1.30%); 20-26 years (1.5%); 26-30 years (1.75%)**

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

Note 10. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous

Benefits fully vest on reaching five years of service for hazardous employees. The table below shows additional relevant information concerning nonhazardous employee retirement benefits.

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008 Defined Benefit	Participation 9/1/2008 through 12/31/2013 Defined Benefit	Participation on or after 1/1/2014 Cash Balance Plan
Covered Employees:	Substantially all regular full-time members employed in hazardous duty positions of any participating employer.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the 3 highest fiscal years; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Greater than 25 years = 2.50%. Additional years above 30 =	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money Purchase for age 55 with less than 60 months based on contributions and interest.	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	
Reduced Retirement Benefit/Penalty on Reduced Benefit:	Age 50 with 15 years of service. Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year away from 20 years or age 55.	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military) Penalty - about 6.5% for each year away from 25 yrs. or age 60.	No reduced retirement benefit.
Employee Contributions:	8% total member contribution	9% total member contribution; 8% to defined benefit pension and 1% Health Insurance Contribution	9% total member contribution; 8% to defined benefit pension and 1% Health Insurance Contribution

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

Note 10. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous (Continued)

Before 09/01/2008				
Age	Years of Service	Allowance Reduction		
55	5	None		
Any	20	None		
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.		
On Or After 9/01/2008 but before 01/01/2014				
Age	Years of Service	Allowance Reduction		
60	5	None		
Any	25	None		
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service		
On or After 1/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	25	None		
Benefit Formula				
Final Compensation	x	Benefit Factor	x	Years of Service
Average of the three highest if participation began before 9/1/2008	2.50% if	Member begins participating on or after 9/1/2008		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
Average of the three highest complete years if participation began on or after 9/1/2008	Increasing percent based on service at retirement* if	Member begins participating on or after 09/01/2008 but before 01/01/2014		

* **Service** (and **Benefit Factor**) : **10 years or less** (1.30%); **10-20 years** (1.50%); **20-25 years** (2.25%); **25+ years** (2.50%)

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

Note 10. Employee Retirement System (Continued)

B. Net Pension Liability

As of June 30, 2019, the fiscal court reported a liability of \$26,704,373 (\$8,781,672 nonhazardous and \$17,922,701 hazardous) for its proportionate share of the collective net pension liability. The total and net pension liability for CERS was actuarially measured as of June 30, 2018. As of June 30, 2019, the fiscal court's proportionate share percentage was .885271 percent. This percentage is based on the long-term share of contributions by the fiscal court in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by the Kentucky Retirement System. This report can be obtained at www.kyret.ky.gov.

Actuarial Assumptions

The total pension liability determined for KRS in the June 30, 2018 proportionate share report was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 through June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Asset Valuation Method	20% of the difference the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00% average
Investment rate of return	7.50%, net of pension plan investment expense including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

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

Note 10. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMB	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	

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

Note 10. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2018 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2018, using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. A municipal bond rate was not used.

Discount Rate

The following table presents the net pension liability of the fiscal court, calculated using the discount rate of 6.25%, as well as what the fiscal court's net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%):

1% Decrease 5.25%	Current 6.25%	1% Increase 7.25%
\$ 33,511,185	\$ 26,704,373	\$ 21,051,944

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2019, the fiscal court recognized pension expense of \$4,133,384 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 1,072,664	\$ 1,380,121
Difference between expected and actual experience	1,712,779	128,545
Changes of assumptions	2,766,036	
Changes in proportion and difference between employer contributions and proportionate share of contributions	202,107	733,115
Contributions after measurement date	1,712,551	
	<u>\$ 7,466,137</u>	<u>\$ 2,241,781</u>

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

Note 10. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Deferred Inflows/Outflows of Resources (Continued)

The \$1,712,551 of the total deferred outflows of resources resulted from pension contributions made subsequent to the measurement date and will be recognized as a reduction of the new pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	\$ 2,568,399
2021	1,272,129
2022	(200,657)
2023	(128,066)
Total	<u>\$ 3,511,805</u>

Membership

Number of Members Non-Hazardous CERS

Active Plan Members	82,198
Retired & Beneficiaries Receiving Benefits	59,013
Inactive Plan Members	85,031
Total Members	<u>226,242</u>

Number of Members Hazardous CERS

Active Plan Members	9,495
Retired & Beneficiaries Receiving Benefits	8,998
Inactive Plan Members	3,198
Total Members	<u>21,691</u>

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

Note 10. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

The fiscal court's fiduciary net position, net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense have been determined on the same basis used by CERS. CERS' combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

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.

C. Hardin Memorial Hospital - Defined Contribution Plan

Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, contributed to a defined contribution pension plans covering substantially all employees. Participating employees may contribute to a 457(b) account through a defined contribution pension plan that is administered by Fidelity and all employee and employer contributions are held with Fidelity as the trustee. The 401(a) defined contribution plan is only for employer match or rollover of amounts from another defined contribution plan. The defined contribution pension plans provide retirement benefits to the defined contribution pension plan members and their beneficiaries. The Hospital matches half of the contributions made by participants, up to 5% of their salary. Contributions actually made by the defined contribution pension plan members and the Hospital aggregated \$6,091,028 and \$1,817,708 during 2019. In connection with the asset purchase agreement more fully described in Note 22, in May 2018, the Hospital approved a resolution to terminate the defined contribution plans following the last payroll period prior to closing the sale of the Hospital.

The Hospital has a single-employer defined benefit pension plan (Plan) covering substantially all employees. The Plan is administered by a board of trustees as defined in the Plan Legal Document. Benefit provisions are contained in the Plan Legal Document and were established and can be amended by action of the Hospital's governing body. The Plan does not issue a separate report that included financial statements and required supplementary information for the Plan.

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

Note 10. Employee Retirement System (Continued)

C. Hardin Memorial Hospital - Defined Contribution Plan (Continued)

In connection with the asset purchase agreement more fully described in Note 22, May 2018 the Hospital approved a resolution to freeze benefits, terminate the plan, fully fund and liquidate the Plan. During 2019, the effects of determining the termination value and of changing the actuarial measurement date which has historically been at the beginning of the year, *e.g.*, July 1, 2017 to June 30, 2019, resulted in an approximate \$8.95 million increase in the net pension liability at June 30, 2019. The county approved a resolution to contribute the necessary funds to fully fund the Plan on the funding date as provided in the asset purchase agreement which is a mutually agreed date between the Hospital and Baptist Healthcare System, Inc. The Plan's net pension liability has been valued at June 30, 2019, at the Plan's estimated termination value. The Hospital recognized a termination gain of \$3,140,773 in 2019 included in the statement of revenues, expenses and changes in net position. All pension inflows and outflows of resources previously recorded by the Hospital were removed and included in the termination gain.

Benefits Provided

Normal Retirement Benefit

The annual benefit is equal to the accrued benefit under the restated Plan as of June 30, 1994, plus the actuarial equivalent of the accumulated cash balance. The annual benefit of participants who were active employees on June 30, 1994, should not be less than the greater of:

- The sum of 1.4% of the average monthly earning multiplied by credited service, not to exceed 40 years and 0.55% of the average monthly earnings excess of covered compensation multiplied by credited service, no to exceed 35 years.
- The sum of 1% of past service compensation multiplied by credited service earned prior to January 1, 1976, and 1.5% of monthly earnings multiplied by credited service earned after January 1, 1976. Participants who are rehired on or after October 1, 2010, will not accrue any additional benefits under these terms.

Early Retirement Benefit

Early retirement benefits are the accrued retirement benefit determined as of the early retirement date and payable commencing at the early retirement date, reduced by either:

- 5/12% for each month by which the early retirement date precedes the normal retirement date if the participant has less than 10 years of service.
- 4/12% for each month by which the early retirement date precedes the attained age of 60 if the participant has 10 or more years of service.

Late Retirement Benefit

A participant whose employment continues after his normal retirement date shall not be entitled to receive any benefit under the Plan until the later retirement date. The late retirement benefit is determined in the same manner as a normal retirement benefit, but based upon compensation, accumulated cash balance, credited service and average monthly earnings as of the late retirement date.

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

Note 10. Employee Retirement System (Continued)

C. Hardin Memorial Hospital - Defined Contribution Plan (Continued)

Benefits Provided (Continued)

Disability Retirement Benefit

If vested upon determination of total and permanent disability, benefit accruals will continue until age 65, except for employees hired or rehired on or after July 1, 2010, who did not get continued accrual. A disabled participant may elect to receive their benefits prior to age 65 at any time after being credited with five years of service.

Termination Benefit

The accrued benefit as of the determination date, multiplied by the vested percentage, shall be payable at normal retirement date. For participants terminated on or after July 1, 2008, the vested percentage is based on the following table:

<u>Service</u>	<u>Vested Percentage</u>
Less than three years	0%
Three years or more	100%

Death Benefit

If a vested active, vested terminated or disabled participant dies before retirement, the death benefit payable to a spouse or beneficiary is a lump-sum value of the accrued benefit.

The employees covered by the Plan at June 30, 2019, were:

Inactive employees or beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving benefits	319
Active employees	<u>1,894</u>
Total	<u><u>2,330</u></u>

Contributions

The Hospital's governing body has the authority to establish and amend the contribution requirements of the Hospital. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Hospital is required to contribute at the actuarially determined rate. Employees may not make contributions to the Plan. For the year ended June 30, 2019, the Hospital contributed \$0 to the Plan. The contributions for 2018 were included as contributions in the change in Plan fiduciary net position with the change in measurement date for June 30, 2019.

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

Note 10. Employee Retirement System (Continued)

C. Hardin Memorial Hospital - Defined Contribution Plan (Continued)

Benefits Provided (Continued)

Net Pension Liability

The Hospital's net pension liability was measured as of June 30, 2017, for the year ended June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability at June 30, 2019, was determined by an actuarial valuation for the termination value of the Plan. Mortality rates were based on the 2018 PPA Combined Static Mortality Table for the June 30, 2019, actuarial valuation.

The total pension liability in the June 30, 2017, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%	
Salary increases	2.00%	Average, including inflation
Investment rate of return June 30, 2017	6.63%	Net of pension plan investment expense, including inflation

Mortality rates were based on the 2017 PPA Combined Static Mortality Table for the June 30, 2017, actuarial valuation.

The actuarial assumptions used in the June 30, 2017, valuation were based on reasonable expectations for the Plan participants and the benefits provided under the Plan.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on Plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class at June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Mutual funds - Fixed income	45%	3.61%
Mutual funds - Equity	50%	8.65%
Mutual funds - Real estate	5%	7.00%
Total	<u>100%</u>	<u>* 6.30%</u>

* Weighted average

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

Note 10. Employee Retirement System (Continued)

C. Hardin Memorial Hospital - Defined Contribution Plan (Continued)

Benefits Provided (Continued)

Discount Rate

The discount rate used to measure the total pension liability ranged from 2.83% to 2.95% based upon whether the participant were active employees, inactive employees or beneficiaries currently receiving benefits or inactive employees entitled to but not yet receiving benefits for the ended June 30, 2019.

The discount rate used to measure the total pension liability was 6.63% for the year ended June 30, 2019. The projection of cash flows used to determine the discount rate assumed that Hospital contributions will be made at a rate equal to actuarially determined contribution rate. Based on those assumptions the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, Plan fiduciary net position, and the net pension liability are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance, beginning of year	\$ 93,681,474	\$ 66,127,251	\$ 27,554,223
Changes for the year			
Service Cost	1,867,686		1,867,686
Interest	5,607,196		5,607,196
Difference between expected and actual experience	(1,188,593)		(1,188,593)
Contributions - employer		3,232,625	(3,232,625)
Net investment income		12,915,553	(12,915,553)
Benefit payments	(17,955,798)	(17,955,798)	
Administrative expense		(22,242)	22,242
Change in assumptions	(156,030)		(156,030)
Termination of plan	8,949,928		8,949,928
Net changes	(2,875,611)	(1,829,862)	(1,045,749)
Balance, end of year	\$ 90,805,863	\$ 64,297,389	\$ 26,508,474

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

Note 10. Employee Retirement System (Continued)

C. Hardin Memorial Hospital - Defined Contribution Plan (Continued)

Benefits Provided (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Hospital recognized pension expense of \$2,747,142. At June 30, 2019, there were not deferred outflows or inflows of resources due to the termination of the Plan. The deferred outflows and inflows of resources at June 30, 2018, were included in the pension termination gain included in the statement of revenues, expenses and changes in net position for the year end June 30, 2019.

At June 30, 2019, the Hospital reported \$0, as deferred outflows of resources related to pensions resulting from Hospital contributions subsequent to the measurement date and prior to year-end that were recognized as a reduction of the net pension liability at June 30, 2019.

D. Hardin County Planning and Development Commission

Hardin County Planning and Development Commission (Commission), a discretely presented component unit of the Hardin County Fiscal Court, participates in two retirement plans. Employees may defer a portion of their salary into either a 401(k) plan or a 457 plan with Kentucky Public Employee's Deferred Compensation Authority. The Commission makes employer contributions to the 401(k) plan at a minimum rate of 27.68% per employee for the current fiscal year. Additional amounts are contributed for employees who do not participate in the employer provided insurance plan. The Commission's contributions for the years ended June 30, 2019, 2018, and 2017 were \$77,876, \$71,549, and \$73,480, respectively, which consisted of \$77,226, \$70,809, and \$72,830 from the Commission and \$650, \$650, and \$650 from the employees, respectively. Payroll for plan employees was \$258,220, \$257,002, and \$270,660. The Commission contributed the scheduled amount for the years ended June 30, 2019, 2018 and 2017.

Note 11. Post-Employment Health Care Benefits

A. Hardin County Fiscal Court

Plan Description

The Hardin County Fiscal Court participates in the County Employees' Retirement System (CERS), which is operated by the Kentucky Retirement Systems (KRS). The CERS insurance funds are cost-sharing, multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plans for members that cover all regular full-time members employed in hazardous and nonhazardous duty positions with the fiscal court. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. All eligible retired fiscal court employees receive health care benefits after retirement.

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

Plan Description (Continued)

Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other postemployment benefits for local government employees participating in CERS.

Under the provisions of Kentucky Revised Statute, Section 61.701, the board of trustees of KRS administers the KRS Insurance Fund. The KRS Insurance Fund was established as a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: Kentucky employees Retirement System (KERS); CERS; and the State Police Retirement System (SPRS). The assets of the KRS Insurance Fund are commingled for investment purposes.

OPEB Proportionate Share Liability

As of June 30, 2019, the fiscal court reported a liability of \$7,845,026 for its proportionate share of the collective net OPEB liability. The total and net OPEB liability for CERS was actuarially measured as of June 30, 2018. As of June 30, 2019, the fiscal court's proportionate share percentage was .885385 percent. This percentage is based on the long-term share of contributions by the fiscal court in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by Kentucky Retirement System. This report can be obtained at www.kyret.ky.gov.

Benefits Provided

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement.

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%

Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5 percent annually from July 1, 2009.

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.

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

Contributions

For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0 percent of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008, and before January 1, 2014, were required to contribute 1 percent of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014, were required to contribute 1 percent of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board of Trustees may amend contribution rates as of the first day of July of the second year of the biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The county's contractually required contribution rate for the year ended June 30, 2019, was 5.26 percent of annual creditable compensation for non-hazardous employees and 10.48 percent of annual creditable compensation for hazardous employees. Contributions to the pension plan from the county were \$662,169 (\$199,286 for nonhazardous and \$462,883 for hazardous).

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2019, the county reported a liability of \$7,845,026 for its proportionate share of its net OPEB liability (\$2,560,970 for nonhazardous and \$5,284,056 for hazardous). The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The county's proportionate share of the net OPEB liability was based on a projection of the county's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the county's proportionate share was .144241 percent for nonhazardous and .741144 percent for hazardous which was a decrease of .007079 percent for nonhazardous and an increase of .012173 percent for hazardous from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the county recognized OPEB expense of \$1,200,184 (\$895,466 for hazardous and \$304,718 for nonhazardous). At June 30, 2019, the county reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$	\$ 678,745
Difference between expected and actual experience		888,957
Changes of assumptions	2,132,994	20,371
Changes in proportion and difference between employer contributions and proportionate share of contributions	43,060	127,171
Contributions after measurement date	662,169	
	<u> </u>	<u> </u>
	<u>\$ 2,838,223</u>	<u>\$ 1,715,244</u>

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$662,169 resulting from county contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the county's OPEB expense as follows:

Years Ended June 30,	OPEB Expense Amount
2020	\$ 313,014
2021	313,014
2022	21,362
2023	(119,319)
2024	(44,201)
Total	<u>\$ 483,870</u>

Actuarial Valuation

The total pension liability determined for KRS in the June 30, 2018 proportionate share report was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.30 percent
Salary Increases	3.05 percent to 15.55% (varies by service)
Investment rate of return	6.25 percent

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

Actuarial Valuation (Continued)

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMB	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

Actuarial Valuation (Continued)

June 30, 2018 is the actuarial valuation date upon which the total OPEB liability is based. An expected total OPEB liability is determined as of June 30, 2017, using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. A municipal bond rate was not used.

Actuarial Assumptions used to Determine the Total OPEB Liability and the Net OPEB Liability

Inflation	2.30 percent
Salary Increases	3.05 percent to 15.55% (varies by service)
Investment rate of return	6.25 percent

Actuarial Assumptions used to Determine the Actuarially Determined Contribution

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 through June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Payroll Growth	4.00%
Asset Valuation Method	20% of the difference the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00% average
Investment rate of return	7.50%, net of pension plan investment expense

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the net OPEB liability of the fiscal court, calculated using the discount rate of 5.85 nonhazardous and 5.97 hazardous, as well as what the fiscal court's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.85% nonhazardous and 4.97% hazardous) or one percentage point higher (6.85% nonhazardous and 6.97% hazardous):

1% Decrease (4.85% Nonhazardous) (4.97% Hazardous)	Current Discount (5.85% Nonhazardous) (5.97% Hazardous)	1% Increase (6.85% Nonhazardous) (6.97% Hazardous)
\$ 10,671,388	\$ 7,845,026	\$ 5,543,196

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the net OPEB liability of the fiscal court, calculated using the current healthcare trend rate, as well as what the fiscal court's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Discount Rate	1% Increase
\$ 5,505,365	\$ 7,845,026	\$ 10,703,647

The initial healthcare trend rate for the pre-65 category starts at 7.00 percent and gradually decreases to an ultimate trend rate of 4.05 percent over a period of 12 years.

The initial healthcare trend rate for the post-65 category starts at 5.00 percent and gradually decreases to an ultimate trend rate of 4.05 percent over a period of 10 years.

Membership

Number of Members Non-Hazardous CERS

Active Plan Members	81,891
Retired & Beneficiaries Receiving Benefits	33,481
Inactive Plan Members	8,230
Total Members	<u>123,602</u>

Number of Members Hazardous CERS

Active Plan Members	9,486
Retired & Beneficiaries Receiving Benefits	6,341
Inactive Plan Members	450
Total Members	<u>16,277</u>

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

Note 11. Post-Employment Health Care Benefits (Continued)

A. Hardin County Fiscal Court (Continued)

OPEB Plan Fiduciary Net Position

The fiscal court's fiduciary net position, net OPEB liability, deferred inflows and outflows of resources related to OPEB, and OPEB expense have been determined on the same basis used by CERS. CERS' combining financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

Detailed information about the OPEB plan is available in the separately issued CERS financial report.

B. Hardin Memorial Hospital

Plan Description

The Hospital contributed to the Retiree Medical Plan (OPEB Plan), a single-employer defined benefit OPEB Plan covering eligible employees and eligible retirees and their spouses. The OPEB Plan is administered by the board of trustees of the Hospital. Benefit provisions are contained in the Plan Document and were established and can be amended by action of the Hospital's governing body. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provided comprehensive major medical benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer. The OPEB Plan is only available to participants hired prior to July 1, 2005. To be eligible, grandfathered employees (employees who were at least age 55 with at least 5 years of service on or before December 31, 1999) must have attained age 60 with 10 years of service; non-grandfathered employees hired before June 30, 2005, must have attained age 55 with 25 years of service as of July 1, 2007, or satisfy the following service requirements: 26 years if they retire from July 1, 2017 to June 30, 2009, 27 years if they retire from July 1, 2009 to June 30, 2011, 28 years if they retire from July 1, 2011 to June 30, 2013, 29 years if they retire from July 1, 2013 to June 30, 2015, and 30 year if they retire on or after July 1, 2015. Grandfathered employees and non-grandfathered employees with at least 25 years of service as of July 1, 2007, pay the same rate as active employees. Other participants pay a portion of the full premium: 100% if they have less than 5 years of service, 75% if they have 5 to 9 years of service, 55% if they have 10 to 14 years of service, 35% if they have 15 to 19 years of service and 20% if they have 20 to 24 years of service.

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

Note 11. Post-Employment Health Care Benefits (Continued)

B. Hardin Memorial Hospital (Continued)

Benefits Provided (Continued)

The employees covered by the benefit terms at June 30, 2019, are:

Inactive employees or beneficiaries currently receiving benefit payments	72
Active employees	503
Totals	575

Total Other Postemployment Benefit Liability

The Hospital's total OPEB liability was measured as of June 30, 2018, for the year ended June 30, 2019, and was determined by actuarial valuations as of that date.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%	
Discount rate	2.98%	
Salary increase	2.00%	Average, including inflation
Health care cost trend rates	7.10%	For 2018, decreasing 2-8% per year to an ultimate rate of 4.5% for 2030 and later years

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Total Data Set Mortality adjusted to 2006 base mortality year and then projected forward based on the MP-2017 generational future mortality improvement scale.

The actuarial assumptions used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

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

Note 11. Post-Employment Health Care Benefits (Continued)

B. Hardin Memorial Hospital (Continued)

Changes in the Total Other Postemployment Benefit Liability

Changes in the total OPEB liability are:

	<u>Total OPEB Liability</u>
Balance, beginning of year	\$ 9,364,078
Changes for the year	
Service Cost	103,073
Interest	282,377
Difference between expected and actual experience	250,501
Changes in assumptions	(454,916)
Benefit payments	<u>(541,890)</u>
Net changes	<u>(360,855)</u>
Balance, end of year	<u>\$ 9,003,223</u>

Sensitivity of the Total Other Postemployment Benefit Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the Hospital has been calculated using a discount rate of 2.98%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	<u>1.98%</u>	<u>2.98%</u>	<u>3.98%</u>
Hospital's total OPEB liability	\$ 9,533,284	\$ 9,003,223	\$ 8,501,458

The total OPEB liability of the Hospital has been calculated using health care cost trend rate of 7.10%. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
Hospital's total OPEB liability	\$ 8,430,677	\$ 9,003,223	\$ 9,647,401

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

Note 11. Post-Employment Health Care Benefits (Continued)

B. Hardin Memorial Hospital (Continued)

Other Postemployment Benefit Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

For the year ended June 30, 2019, the Hospital recognized OPEB expense of \$339,617. At June 30, 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 194,335	\$ 79,061
Changes of assumptions	425,873	
Net benefit payments subsequent to the measurement date	<u>927,044</u>	
Total	<u>\$ 1,547,252</u>	<u>\$ 79,061</u>

At June 30, 2019, the Hospital reported \$927,044 as deferred outflows of resources related to OPEB resulting from Hospital net benefit payments subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the total OPEB liability at June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to OPEB will be recognized in OPEB expense as follows:

2020	\$ 206,776
2021	206,776
2022	148,676
2023	<u>(21,081)</u>
Totals	<u>\$ 541,147</u>

Note 12. Deferred Compensation

The Hardin 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.

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

Note 12. Deferred Compensation (Continued)

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 13. Medical Malpractice Claims

Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, is self-insured for the first \$1,000,000 per occurrence and \$3,000,000 aggregate for medical malpractice and general liability risks and has established a risk retention fund for the payment of medical malpractice and general liability claims settlements. The Hospital purchases commercial insurance above the self-insurance limits. Losses from asserted and unasserted claims identified under the Hospital's incident reporting system are reviewed by professional insurance consultants and accrued based on estimates that incorporate the Hospital's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible the Hospital's estimated losses will change by a material amount in the near term. Management is not aware of any such claims.

Activity in the Hospital's accrued medical malpractice claims liability, which is included in other noncurrent liabilities in the balance sheet, during 2019, is summarized as follows:

Balance, beginning of year	\$ 8,326,356
Current year claims incurred and changes in estimates for claims incurred in prior years	1,165,609
Claims and expenses paid	<u>(502,027)</u>
Balance, end of year	<u>\$ 8,989,938</u>

Note 14. Insurance

For the fiscal year ended June 30, 2019, the Hardin 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 15. Self-Insurance

A. Hardin County Fiscal Court

Hardin County established a self-funded dental insurance plan effective July 1, 2006. This was expanded to include health insurance effective July 1, 2011. The self-funded Internal Service Fund (Employee Insurance Fund) is available to employees for health and dental care. Hardin County contracts with a benefits administrator to administer the employee insurance plan. The contract automatically renews until terminated by either party. Hardin County elected to purchase a stop-loss insurance policy from Anthem to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points.

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

Note 15. Self-Insurance (Continued)

A. Hardin County Fiscal Court (Continued)

The self-funded insurance plan has two distinct components. The first component is the fixed cost, which consists of administrative costs to run the plan. The second component consists of employee claims. There is no stop loss reinsurance or terminal liability provisions for the dental plan, but there is for the health plan. Once an individual exceeds \$75,000 in claims or the county's aggregate claims exceed the predetermined maximum, then the county will receive reimbursements from the reinsurance carrier. The fiscal court is responsible to pay all claims in excess of the funds available in the Internal Service Fund. The Employee Insurance fund beginning cash balance was \$325,819 with liabilities of \$21,416. Receipts in the current fiscal year were \$1,523,869 and expenditures consisting of claims and administrative costs were \$1,190,299. The ending cash balance of the Employee Insurance Fund was \$649,389 with liabilities of \$113,788 leaving a net position of \$535,601.

B. Hardin Memorial Hospital

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospitals' employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to \$400,000 per individual claim. Commercial stop-loss insurance coverage is purchased for claims in excess of \$400,000 per covered person. A provision is accrued for self-insured employee health claims, including both claims reported and incurred but not year reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability, which is included in accrued expenses in the balance sheets, during 2019, is summarized as follows:

Balance, beginning of year	\$ 998,349
Current year claims incurred and changes in estimates for claims incurred in prior years	27,892,877
Claims and expenses paid	<u>(27,642,877)</u>
Balance, end of year	<u>\$ 1,248,349</u>

Note 16. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been performed. The estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. All infrastructure assets placed in service during the fiscal year June 30, 2003, and thereafter are recorded at actual historical cost or fair value.

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

Note 17. Endowment Funds

Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, is the income beneficiary of endowment funds held in trust by outside parties. Under the terms of the trust, the Hospital has the irrevocable right to receive income earned on the trust assets in perpetuity but never receives the assets held in trust. Unrestricted income received for the year ended June 30, 2019, was \$28,668. The principal of the funds (market value as of June 30, 2019, aggregated \$637,530) is not directly or indirectly controlled by the Hospital. Accordingly, such endowment funds are not included as assets on the Hospital's balance sheet.

Note 18. Workers' Compensation

Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, has a letter of credit with WesBanco Bank, Inc., in the amount of \$3,774,000, which expires on January 1, 2020, for the Hospital's self-funded workers' compensation plan. The letter of credit is a requirement of the Kentucky Labor Cabinet's Department of Worker's Claims for all self-insured employers in the Commonwealth of Kentucky. Commercial stop-loss coverage is purchased for claims in excess of \$650,000. As of June 30, 2019, the Hospital has recorded a liability for the workers' compensation plan of approximately \$953,000, which is included in accrued expenses on the balance sheet.

Note 19. Commitments and Contingencies

The county and Hardin Memorial Hospital (Hospital), a blended component unit of the Hardin County Fiscal Court, are 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. Also, the county and the Hospital have entered into various commitments related to the purchase of equipment and construction projects. The county receives funding from federal and state government agencies. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the county for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the county's programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended.

The Hospital self-disclosed various potentially noncompliant billings with the United States Attorney Office for the Western District of Kentucky (U.S. Attorney's Office). This self-disclosure is pending with the U.S. Attorney's Office. A provision has been made in the financial statements for the potential adverse outcome that might ultimately result from this matter, as the amount of any such loss is probable and reasonably estimable. The Hospital had recorded an estimated liability of approximately \$1,700,000 and \$2,900,000 related to these matters, which is included in the estimated third-party payor settlements in the balance sheet at June 30, 2019. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

At June 30, 2019, the Hospital had approximately \$1,222,000 of purchase commitments for capital equipment and construction projects.

Hardin County Planning and Development Commission, a discretely presented component unit of the Hardin County Fiscal Court, had \$110,985 as restricted assets for the eventual repayment of developer advances in the same amount.

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

Note 20. Related Party Transaction

The Hardin County Fiscal Court provides the use of two offices and utilities in the H.B. Fife Courthouse to the Central Region Innovation and Commercialization Center. This in-kind contribution has been valued as \$12,000. A magistrate is an employee of the Central Region Innovation and Commercialization Center.

Note 21. Conduit Debt

From time to time the county has issued bonds, notes, etc. to provide financial assistance to various entities 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 Hardin County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

Note 22. Sale of the Hospital

On May 23, 2018, the Hospital entered into asset purchase agreement (APA) with Baptist Healthcare System, Inc., to sell substantially all of the Hospital's assets and liabilities for \$110,000,000, which is to be paid to the county with an initial payment of \$60,000,000 and the remaining balance to be paid over 25 years once the sale is close, plus interest at 2.5% compounded annually. The closing of the APA is dependent on the satisfaction or waiver of all conditions precedent within the APA, and the resolution of a lawsuit challenging the sale of the Hospital. As of October 31, 2019, the APA had not been closed and finalized. The Hospital had \$4,137,288 in transaction costs included in prepaid expenses and other current assets in the balance sheet at June 30, 2019, which will be reimbursed to the Hospital by Baptist Healthcare System, Inc., upon closing of the APA and does not represent additional consideration to the county.

Note 23. Prior Period Adjustment - Budgetary Basis

The following adjustments were made to the prior year cash balances in the following Budgetary Comparison Schedules. These adjustments are included in current budget to GAAP adjustments included Notes to Required Supplementary Information Note 2.

	<u>General Fund</u>	<u>Road Fund</u>
Ending Cash Balance Prior Year	\$ 6,390,092	\$ 570,344
Adjustments:		
Rounding	(3)	
Prior Year Error		(357)
Prior Year Voided Checks	<u>578</u>	
Beginning Fund Balance Restated	<u>\$ 6,390,667</u>	<u>\$ 569,987</u>

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2019

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HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,093,500	\$ 9,093,500	\$ 9,344,565	\$ 251,065
In Lieu Tax Payments	300	300	307	7
Excess Fees	1,125,446	1,125,446	2,688,632	1,563,186
Licenses and Permits	195,000	195,000	196,893	1,893
Intergovernmental Revenue	857,700	861,772	881,529	19,757
Charges for Services	6,685,000	6,949,910	6,972,709	22,799
Miscellaneous	849,000	958,805	959,277	472
Interest	15,000	15,000	27,974	12,974
Total Revenues	<u>18,820,946</u>	<u>19,199,733</u>	<u>21,071,886</u>	<u>1,872,153</u>
EXPENDITURES				
General Government	5,349,800	5,521,394	5,166,698	354,696
Protection to Persons and Property	7,847,795	10,033,918	7,968,237	2,065,681
General Health and Sanitation	756,950	820,348	714,984	105,364
Social Services	123,000	123,000	101,230	21,770
Recreation and Culture	930,500	930,500	2,302	928,198
Capital Projects	75,000	60,000		60,000
Administration	1,062,901	933,812	705,006	228,806
Total Expenditures	<u>16,145,946</u>	<u>18,422,972</u>	<u>14,658,457</u>	<u>3,764,515</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,675,000</u>	<u>776,761</u>	<u>6,413,429</u>	<u>5,636,668</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			46,867	46,867
Transfers To Other Funds	(2,675,000)	(2,675,000)	(3,278,956)	(603,956)
Financing Obligations		1,950,000	2,236,852	286,852
Total Other Financing Sources (Uses)	<u>(2,675,000)</u>	<u>(725,000)</u>	<u>(995,237)</u>	<u>(270,237)</u>
Net Changes in Fund Balance		51,761	5,418,192	5,366,431
Fund Balance - Beginning (Restated)			<u>6,390,667</u>	<u>6,390,667</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 51,761</u>	<u>\$ 11,808,859</u>	<u>\$ 11,757,098</u>

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 20,000	\$ 20,000	\$ 14,638	\$ (5,362)
Intergovernmental Revenue	2,573,117	2,876,116	2,796,116	(80,000)
Miscellaneous	95,000	187,038	198,426	11,388
Interest	6,000	6,000	6,839	839
Total Revenues	<u>2,694,117</u>	<u>3,089,154</u>	<u>3,016,019</u>	<u>(73,135)</u>
EXPENDITURES				
General Government	8,000	8,000	7,052	948
Roads	2,021,192	2,437,684	2,248,078	189,606
Administration	664,925	664,431	642,376	22,055
Total Expenditures	<u>2,694,117</u>	<u>3,110,115</u>	<u>2,897,506</u>	<u>212,609</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(20,961)</u>	<u>118,513</u>	<u>139,474</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			<u>10,014</u>	<u>10,014</u>
Total Other Financing Sources (Uses)			<u>10,014</u>	<u>10,014</u>
Net Changes in Fund Balance		(20,961)	128,527	149,488
Fund Balance - Beginning (Restated)			<u>569,987</u>	<u>569,987</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (20,961)</u>	<u>\$ 698,514</u>	<u>\$ 719,475</u>

HARDIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 5,623,750	\$ 5,626,514	\$ 5,502,974	\$ (123,540)
Charges for Services	565,000	565,000	572,622	7,622
Miscellaneous	199,500	200,448	347,770	147,322
Interest	2,000	2,000	2,155	155
Total Revenues	<u>6,390,250</u>	<u>6,393,962</u>	<u>6,425,521</u>	<u>31,559</u>
EXPENDITURES				
Protection to Persons and Property	6,057,550	6,221,667	5,854,437	367,230
Debt Service	248,125	248,125	248,125	
Administration	2,434,575	2,304,940	2,232,703	72,237
Total Expenditures	<u>8,740,250</u>	<u>8,774,732</u>	<u>8,335,265</u>	<u>439,467</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,350,000)</u>	<u>(2,380,770)</u>	<u>(1,909,744)</u>	<u>471,026</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>2,350,000</u>	<u>2,350,000</u>	<u>1,976,448</u>	<u>(373,552)</u>
Total Other Financing Sources (Uses)	<u>2,350,000</u>	<u>2,350,000</u>	<u>1,976,448</u>	<u>(373,552)</u>
Net Changes in Fund Balance		(30,770)	66,704	97,474
Fund Balance - Beginning			<u>72,361</u>	<u>72,361</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (30,770)</u>	<u>\$ 139,065</u>	<u>\$ 169,835</u>

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a budgetary basis at June 30, 2019, to the fund balance on a modified accrual basis follows:

	General Fund	Road Fund	Jail Fund
	<u> </u>	<u> </u>	<u> </u>
<u>Sources/Inflows of Resources</u>			
Actual Amount (Budgetary Basis)	\$ 21,071,886	\$ 3,016,019	\$ 6,425,521
Differences - (Budget to GAAP)			
The county budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	(519,208)	(175,332)	(332,016)
Addition of LGEA Fund Revenue		189,347	
	<u> </u>	<u> </u>	<u> </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund			
Balances - Governmental Funds	<u>\$ 20,552,678</u>	<u>\$ 3,030,034</u>	<u>\$ 6,093,505</u>

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019
(Continued)

Note 2. Budgetary Basis vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<u>Uses/Outflows of Resources</u>			
Actual Amount (Budgetary Basis)	\$ 14,658,457	\$ 2,897,506	\$ 8,335,265
Differences - (Budget to GAAP)			
The county budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	18,530	(187,419)	35,350
Addition of LGEA Fund Expenditures		189,373	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,676,987</u>	<u>\$ 2,899,460</u>	<u>\$ 8,370,615</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<u>Other Financing Sources(Uses)</u>			
Actual Amount (Budgetary Basis)	\$ (995,237)	\$ 10,014	\$ 1,976,448
Differences - (Budget to GAAP)			
The county budgets for transfers only to the extent they are expected to be transferred rather than on the modified accrual basis.	500,000		
Total Other Financing Sources(Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (495,237)</u>	<u>\$ 10,014</u>	<u>\$ 1,976,448</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<u>Ending Fund Balances</u>			
Actual Amount (Budgetary Basis)	\$ 11,808,859	\$ 698,514	\$ 139,065
Differences - (Budget to GAAP)			
The county budgets for transactions only to the extent they are expected to be carried out rather than on the modified accrual basis.	1,222,638	805,036	288,630
Balance of the LGEA Fund		24	
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 13,031,497</u>	<u>\$ 1,503,574</u>	<u>\$ 427,695</u>

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**HARDIN COUNTY
CERS PENSION AND OPEB SCHEDULES
Required Supplementary Information**

June 30, 2019

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HARDIN COUNTY
CERS PENSION - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Required Supplementary Information

June 30, 2019

	2019	2018	2017	2016	2015
County's Proportionate Share of the Net Pension Liability					
Nonhazardous	\$ 8,781,672	\$ 8,857,224	\$ 7,365,882	\$ 6,354,464	\$ 4,841,000
Hazardous	\$ 17,922,701	\$ 16,309,112	\$ 13,417,114	\$ 12,521,552	\$ 10,337,000
County's Proportion of the Net Pension Liability					
Nonhazardous	0.144191%	0.151320%	0.149603%	0.147795%	0.149212%
Hazardous	0.741080%	0.728971%	0.781910%	0.815680%	0.860113%
Covered Payroll					
Nonhazardous	\$ 3,788,705	\$ 3,933,468	\$ 3,725,243	\$ 3,695,501	\$ 3,659,502
Hazardous	\$ 4,416,824	\$ 4,283,333	\$ 4,123,838	\$ 4,356,431	\$ 4,532,923
County's Share of the Net Pension Liability as a Percentage of its Covered Payroll					
Nonhazardous	231.8%	225.2%	197.7%	172.0%	132.3%
Hazardous	403.5%	380.8%	325.4%	287.4%	288.0%
Total Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Nonhazardous	53.54%	53.30%	55.50%	59.97%	66.80%
Hazardous	49.26%	49.80%	53.50%	57.52%	63.46%

Note 1: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

HARDIN COUNTY
CERS PENSION - SCHEDULE OF CONTRIBUTIONS
Required Supplementary Information

June 30, 2019

<u>Nonhazardous</u>	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 614,528	\$ 569,566	\$ 597,468	\$ 462,675	\$ 394,701
Contributions in Relation to the Contractually Required Contribution	<u>614,528</u>	<u>569,566</u>	<u>597,468</u>	<u>462,675</u>	<u>394,701</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered Payroll	3,788,705	\$ 3,933,468	\$ 3,725,243	\$ 3,695,501	\$ 3,659,502
Contributions as a Percentage of Covered Payroll	16.22%	14.48%	16.04%	12.52%	10.79%
<u>Hazardous</u>	2019	2018	2017	2016	2015
Statutorily Required Contributions	\$ 1,098,023	\$ 950,900	\$ 829,773	\$ 835,490	\$ 903,088
Contributions in Relation to the Contractually Required Contribution	<u>1,098,023</u>	<u>950,900</u>	<u>829,773</u>	<u>835,490</u>	<u>903,088</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered Payroll	\$ 4,416,824	\$ 4,283,333	\$ 4,123,838	\$ 4,356,431	\$ 4,532,923
Contributions as a Percentage of Covered Payroll	24.86%	22.20%	20.12%	19.18%	19.92%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

HARDIN COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS – HARDIN MEMORIAL HOSPITAL
Required Supplementary Information

June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 1,867,686	\$ 1,835,692	\$ 1,717,808	\$ 1,636,982	\$ 2,167,271
Interest	5,607,096	6,278,164	6,313,409	5,589,547	6,139,534
Difference between expected and actual experience	(1,188,593)	(5,140,134)	(5,428,549)	200,497	(2,830,182)
Changes in assumptions	(156,030)	(365,930)	(789,660)	10,225,854	812,888
Termination of plan	8,949,928				
Benefit payments, including refund of employee contributions	(17,955,798)	(3,892,154)	(5,582,201)	(4,580,687)	(4,591,149)
Net Change in Total Pension Liability	(2,875,711)	(1,284,362)	(3,769,193)	13,072,193	1,698,362
Total Pension Liability - Beginning	93,681,474	94,965,836	98,735,029	85,662,836	83,764,474
Total Pension Liability - Ending (a)	90,805,763	93,681,474	94,965,836	98,735,029	85,462,836
Plan Fiduciary Net Position					
Contributions - employer	3,232,625	3,526,500	2,863,228	2,849,367	3,330,714
Net investment income	12,915,553	5,535,571	278,546	2,077,095	8,289,999
Benefit payments, including refund of employee contributions	(17,955,798)	(3,892,154)	(5,582,201)	(4,580,687)	(4,591,149)
Administrative expense	(22,242)	(10,000)	(15,000)	(15,000)	(20,000)
Other				116,262	
Net Change in Plan Fiduciary Net Position	(1,829,862)	5,159,917	(2,455,427)	447,037	7,009,564
Plan Fiduciary Net Position - Beginning	66,127,251	60,967,334	63,422,761	62,975,724	55,966,160
Plan Fiduciary Net Position - Ending (b)	64,297,389	66,127,251	60,967,334	63,422,761	62,975,724
Net Pension Liability - Ending (a)-(b)	<u>\$ 26,508,374</u>	<u>\$ 27,554,223</u>	<u>\$ 33,998,502</u>	<u>\$ 35,312,268</u>	<u>\$ 22,487,112</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71%	71%	64%	64%	74%
Covered - Employee Payroll	\$ 123,498,863	\$ 113,400,821	\$ 97,115,252	\$ 93,308,318	\$ 85,725,279
Net Pension Liability as a Percentage of Covered - Employee Payroll	21%	24%	35%	38%	26%

This schedule is prepared using the measurement date of one year prior to the end of the fiscal year listed above except for June 30, 2019, which was measured at June 30, 2019, due to the termination of the plan.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

HARDIN COUNTY
SCHEDULE OF CONTRIBUTIONS – HARDIN MEMORIAL HOSPITAL
Required Supplementary Information

June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$	\$ 3,232,625	\$ 3,526,500	\$ 2,979,490	\$ 2,849,367
Contributions in relation to the actuarially required contribution		<u>3,232,625</u>	<u>3,526,500</u>	<u>2,979,490</u>	<u>2,849,367</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered - employee payroll	\$	\$ 113,400,821	\$ 97,115,252	\$ 93,308,318	\$ 85,725,279
Contributions as a percentage of covered - employee payroll	0%	3%	4%	3%	3%

Valuation date: For years 2015 to 2018, actuarially determined contributions rates are calculated as July 1, one year prior to the end of the fiscal year in which contributions are reported. For the year ended June 30, 2019, the valuation date was June 30, 2019, in order to reflect the Plan's net pension liability at its termination value. Contributions for 2019 are zero due to the Plan's termination.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, government should present information for those years for which information is available.

HARDIN COUNTY
CERS OPEB - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Required Supplementary Information

June 30, 2019

	2019	2018
County's Proportionate Share of the Net OPEB Liability		
Nonhazardous	\$ 2,560,970	\$ 3,042,049
Hazardous	\$ 5,284,056	\$ 6,026,196
County's Proportion of the Net OPEB Liability		
Nonhazardous	0.144241%	0.151320%
Hazardous	0.741144%	0.728971%
Covered Payroll		
Nonhazardous	\$ 3,788,705	\$ 3,933,468
Hazardous	\$ 4,416,824	\$ 3,822,076
County's Share of the Net OPEB Liability as a Percentage of its Covered Payroll		
Nonhazardous	67.6%	77.3%
Hazardous	119.6%	157.7%
Total Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		
Nonhazardous	57.62%	52.40%
Hazardous	64.24%	59.00%

Note 1: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

HARDIN COUNTY
CERS OPEB - SCHEDULE OF CONTRIBUTIONS
Required Supplementary Information

June 30, 2019

<u>Nonhazardous</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 199,286	\$ 184,873
Contributions in Relation to the Contractually Required Contribution	<u>199,286</u>	<u>184,873</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>
Covered Payroll	3,788,705	3,933,468
Contributions as a Percentage of Covered Payroll	5.26%	4.70%
<u>Hazardous</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 462,883	\$ 400,492
Contributions in Relation to the Contractually Required Contribution	<u>462,883</u>	<u>400,492</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>
Covered Payroll	4,416,824	4,283,333
Contributions as a Percentage of Covered Payroll	10.48%	9.35%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

HARDIN COUNTY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND
RELATED RATIOS - HARDIN MEMORIAL HOSPITAL
Required Supplementary Information

June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 103,073	\$ 53,029
Interest	282,377	323,952
Differences between expected and actual experience	250,501	(136,145)
Changes in assumptions	(454,916)	1,341,092
Benefits payments	<u>(541,890)</u>	<u>(665,098)</u>
Net Change in Total OPEB Liability	(360,855)	916,830
Total OPEB Liability - Beginning	<u>9,364,078</u>	<u>8,447,248</u>
Total OPEB Liability - Ending (a)	<u>\$ 9,003,223</u>	<u>\$ 9,364,078</u>
Covered - Employee Payroll	<u>\$ 28,804,719</u>	<u>\$ 35,036,017</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	31%	27%

This schedule is prepared using the measurement date of one year prior to the end of the fiscal year listed above.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION PLAN

June 30, 2019

A. Hardin County Fiscal Court - CERS

Changes of benefit terms: There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions:

2015 -

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016-2017 - No changes.

2018 -

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2019 - No changes.

B. Hardin Memorial Hospital

Change of benefit terms: There were no change in benefit terms.

Change of assumptions: Salary increases were decreased from 4% to 2%, effective July 1, 2014.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: projected unit of credit
- Amortization method: level percentage of payroll, open
- Remaining amortization period: 30 years
- Asset valuation method: this method determines the valuation assets to be equal to the market as of the valuation date
- Inflation: 2%
- Salary increases: 2% average, including inflation
- Investment rate of return: 6.63%
- Retirement age: the later of attainment of the Plan's normal retirement age or one year from the valuation date
- Mortality: 2017 PPA Combined Static Mortality Table

HARDIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OPEB PLAN
June 30, 2019
(Continued)

A. Hardin County Fiscal Court - CERS

Changes of benefit terms: There were no changes in benefit terms for 2018.

Changes of assumptions:

2018 -

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. T

The payroll growth assumption (applicable for the amortization of unfunded actuarial liabilities) was changed from 4.00% to 2.00%.

For the Non-Hazardous Plan, the single discount rate was changed from 6.89% to 5.84%.

For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2019 - No changes.

B. Hardin Memorial Hospital

Change of benefit terms: There were no change in benefit terms.

Change of assumptions: The discount rate was changed from 4.0% to 3.13% effective June 30, 2017. The discount rate was changed from 3.13% to 2.98% effective June 30, 2018.

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**HARDIN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2019

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HARDIN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2019

	Special Revenue Funds		
	State Grants Fund	Alcohol Beverage Control Fund	Library Fund
ASSETS			
Cash and Cash Equivalents	\$ 35	\$ 7	\$ 344,276
Investments			119,311
Accounts Receivable	1,964,517	294	
Total Assets	<u>1,964,552</u>	<u>301</u>	<u>463,587</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	1,964,517		11,418
Accrued Liabilities			28,341
Total Liabilities	<u>1,964,517</u>		<u>39,759</u>
FUND BALANCES			
Nonspendable:			
Permanent Fund Principal			
Restricted For:			
General Government		301	
Roads			
Recreation and Culture			423,828
Capital Outlay	35		
Total Fund Balances	<u>35</u>	<u>301</u>	<u>423,828</u>
Total Liabilities and Fund Balances	<u>\$ 1,964,552</u>	<u>\$ 301</u>	<u>\$ 463,587</u>

HARDIN COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2019
(Continued)

Permanent Funds			
Fife Fund	Pauline Walker & Powell Duff Fund	Pauline Walker & Powell Duff Library Trust Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$ 344,318
509,985	725,168	100,050	1,454,514
			1,964,811
<u>509,985</u>	<u>725,168</u>	<u>100,050</u>	<u>3,763,643</u>
			1,975,935
			28,341
			<u>2,004,276</u>
270,000	459,526	75,000	804,526
	265,642		265,943
239,985			239,985
		25,050	448,878
			35
<u>509,985</u>	<u>725,168</u>	<u>100,050</u>	<u>1,759,367</u>
<u>\$ 509,985</u>	<u>\$ 725,168</u>	<u>\$ 100,050</u>	<u>\$ 3,763,643</u>

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2019

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HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2019

	<u>Special Revenue Funds</u>		
	<u>State Grants Fund</u>	<u>Alcohol Beverage Control Fund</u>	<u>Library Fund</u>
REVENUES			
Taxes	\$	\$ 2,937	\$
Intergovernmental	13,401,638		43,431
Charges for Services			40,201
Miscellaneous			10,973
Interest	409	92	6,295
Total Revenues	<u>13,402,047</u>	<u>3,029</u>	<u>100,900</u>
EXPENDITURES			
General Government		19,363	
Recreation and Culture			928,879
Capital Projects	13,401,639		
Total Expenditures	<u>13,401,639</u>	<u>19,363</u>	<u>928,879</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>408</u>	<u>(16,334)</u>	<u>(827,979)</u>
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds			950,835
Transfers To Other Funds	(390)		(5,883)
Total Other Financing Sources (Uses)	<u>(390)</u>		<u>944,952</u>
Net Change in Fund Balances	18	(16,334)	116,973
Fund Balances - Beginning	17	16,635	306,855
Fund Balances - Ending	<u>\$ 35</u>	<u>\$ 301</u>	<u>\$ 423,828</u>

HARDIN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2019
(Continued)

Permanent Funds			
Fife Fund	Pauline Walker & Powell Duff Fund	Pauline Walker & Powell Duff Library Trust Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$ 2,937
			13,445,069
			40,201
			10,973
19,424	34,186	5,380	65,786
<u>19,424</u>	<u>34,186</u>	<u>5,380</u>	<u>13,564,966</u>
			22,851
536	2,952		928,879
			13,401,639
<u>536</u>	<u>2,952</u>		<u>14,353,369</u>
18,888	31,234	5,380	(788,403)
			950,835
(10,014)	(40,594)	(2,879)	(59,760)
<u>(10,014)</u>	<u>(40,594)</u>	<u>(2,879)</u>	<u>891,075</u>
8,874	(9,360)	2,501	102,672
501,111	734,528	97,549	1,656,695
<u>\$ 509,985</u>	<u>\$ 725,168</u>	<u>\$ 100,050</u>	<u>\$ 1,759,367</u>

**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 Harry Berry, Hardin County Judge/Executive
Members of the Hardin 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 the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hardin County Fiscal Court as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hardin County Fiscal Court's financial statements, and have issued our report thereon dated February 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardin 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Fiscal Court's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2019-001 to be a material weakness.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Fiscal Court's financial statements are 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2019-001.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 4, 2020

**HARDIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**HARDIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDING:

2019-001 The Hardin County Fiscal Court Was Not In Compliance with Bid Laws

The Hardin County Fiscal Court did not bid the contract for inmate meals at the detention center. On June 26, 2018, the Hardin County Fiscal Court approved Resolution No. 2018-087 which approved an agreement with Kellwell Food management as the food service provider for the Hardin County Detention Center. The contract scope of services states “Kellwell will be the exclusive provider of food service (excluding vending machine operation) for the Facility and will provide consulting services as to administrative, dietetic, purchasing and equipment; meal service; and personnel to prepare the meals.”

Based on advisement from the county attorney, fiscal court staff thought that this contract did not need to be bid since the contract involved food. Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for a jail food service provider. This also puts the county at higher risk for potential fraudulent purchases.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract...for services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. The fiscal court should also document these procedures in the fiscal court minutes.

County Judge Executive’s Response: We disagree with the auditor’s finding. Hardin County Fiscal Court fully complied with Kentucky Revised Statutes (state “Bid Laws”). KRS 424.260(1) clearly exempts perishable meat, fish, and vegetables from the requirements for advertised bids. Jail meals, as most any meal, are clearly made up of meat, fish, and vegetables. The Hardin County Jailer sought proposals to supply jail meals from all known vendors providing food service to Kentucky jails. Two vendors provided proposals and fiscal court selected the best and most cost effective proposal. The audit contends the exemption provided in KRS 424.260(1) for perishables does not apply to providing jail meals. The county asserts these meals are comprised primarily of meat, fish, and vegetable and, therefore, the exemption allowed in the Kentucky Revised Statutes does apply. If this exemption is not permissible, why didn’t previous annual audits for more than a decade call the practice into question? Hardin Fiscal Court did fully comply with Kentucky Revised Statutes in obtaining meals for the county jail at the lowest cost. Hardin County Fiscal Court does monitor all disbursements of county funds to ensure all procurement procedures are followed and documented in the approved minutes of Hardin County Fiscal Court.

Auditor’s Reply: KRS 424.260(1) exempts professional services as well as perishable meat, fish, and vegetables from the requirements for advertising for bids. Food service is not a professional service, and the contract for food service includes meal preparation service, and other items mentioned in the contract that do not fall within the exemption for perishable food items. Therefore, the contract with Kellwell should have been advertised for bid.

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

HARDIN COUNTY FISCAL COURT

For The Year Ended June 30, 2019

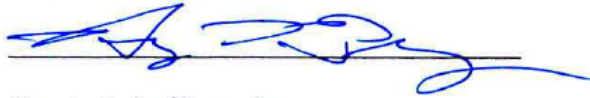
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CERTIFICATION OF COMPLIANCE

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HARDIN COUNTY FISCAL COURT**

For The Year Ended June 30, 2019

The Hardin 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