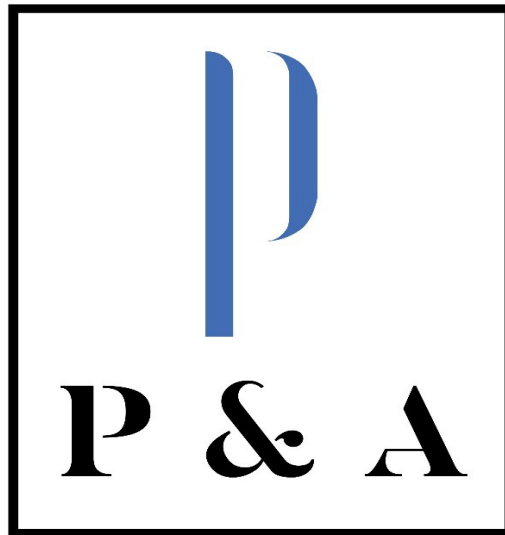


**REPORT OF THE AUDIT OF THE
KENTON COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2017**



PATRICK & ASSOCIATES, LLC

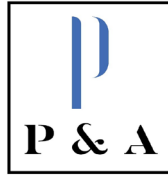
124 Candlewood Drive
Winchester, KY 40391

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PATRICK & ASSOCIATES, LLC

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Kris Knochelmann, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Kenton County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Kenton County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Kris Knochelmann, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Kenton County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Kenton County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Kenton County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Kenton County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet


The Honorable Kris Knochelmann, Kenton County Judge/Executive

Members of the Kenton County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2019, on our consideration of the Kenton County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Kenton County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

August 29, 2019

KENTON COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Kris Knochelmann	County Judge/Executive
Beth Sewell	Commissioner
Jon Draud	Commissioner
Joe Nienaber, Jr.	Commissioner

Other Elected Officials:

Stacy Tapke	County Attorney
Terence Carl	Jailer
Gabrielle Summe	County Clerk
John Middleton	Circuit Court Clerk
Charles Korzenborn	Sheriff
Darlene Plummer	Property Valuation Administrator
David Suetholz	Coroner

Appointed Personnel:

Joseph Shriver	County Administrator
Scott Gunning	Assistant County Administrator
Roy Cox	County Treasurer
Brenda Spare	Assistant Treasurer
Brian Norton	Occupational License Inspector

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

For The Year Ended June 30, 2017

KENTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 18,789,595	\$ 1,463,471	\$
In Lieu Tax Payments	31,953		
Excess Fees	1,421,214		
Licenses and Permits	164,267		
Intergovernmental	849,071	1,346,766	3,386,733
Charges for Services	1,416,184	1,733,822	44,103
Miscellaneous	3,538,825	215,723	880,618
Interest	974	81	67
Total Receipts	<u>26,212,083</u>	<u>4,759,863</u>	<u>4,311,521</u>
DISBURSEMENTS			
General Government	6,211,226		
Protection to Persons and Property	4,417,236		7,763,759
General Health and Sanitation	1,096,456		
Social Services	57,834		
Recreation and Culture	710,775		
Roads		4,915,774	
Bus Services			
Other Transportation Facilities and Services			
Road Facilities		865,567	
Debt Service			
Capital Projects	5,407,088	1,108,287	25,670
Administration	2,321,906	555	2,984,095
Total Disbursements	<u>20,222,521</u>	<u>6,890,183</u>	<u>10,773,524</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,989,562</u>	<u>(2,130,320)</u>	<u>(6,462,003)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Premium on Bonds			
Transfer To Escrow Agent			
Transfers From Other Funds		2,250,000	6,550,000
Transfers To Other Funds	(11,662,475)		
Total Other Adjustments to Cash (Uses)	<u>(11,662,475)</u>	<u>2,250,000</u>	<u>6,550,000</u>
Net Change in Fund Balance	(5,672,913)	119,680	87,997
Fund Balance - Beginning (Restated)	19,406,290	1,099,209	550,580
Fund Balance - Ending	<u>\$ 13,733,377</u>	<u>\$ 1,218,889</u>	<u>\$ 638,577</u>
Composition of Fund Balance			
Bank Balance	\$ 13,938,409	\$ 1,292,811	\$ 640,575
Less: Outstanding Checks	(205,032)	(73,922)	(1,998)
Certificates of Deposit			
Investments			
Fund Balance - Ending	<u>\$ 13,733,377</u>	<u>\$ 1,218,889</u>	<u>\$ 638,577</u>

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

KENTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

Budgeted Funds				
CDBG Fund	Golf Fund	COLT Fund	Dispatch Fund	Capital Fund
\$	\$	\$ 13,414,132	\$	\$
781,637		746,147	583,729	
	11,172		2,624,367	
	416,944	168,152		
	38	13,845		41,638
<u>781,637</u>	<u>428,154</u>	<u>14,342,276</u>	<u>3,208,096</u>	<u>41,638</u>
784,174			3,244,103	
		1,652,064		
		489,188		
	271,953			
		8,546,308		
		1,529,217		
	243,193			
	6,468		1,017,658	
<u>784,174</u>	<u>521,614</u>	<u>12,216,777</u>	<u>4,261,761</u>	
<u>(2,537)</u>	<u>(93,460)</u>	<u>2,125,499</u>	<u>(1,053,665)</u>	<u>41,638</u>
	460,000			
	<u>460,000</u>			
(2,537)	366,540	2,125,499	(1,053,665)	41,638
2,537	513,126	6,671,113	1,566,644	8,003,963
<u>\$ 0</u>	<u>\$ 879,666</u>	<u>\$ 8,796,612</u>	<u>\$ 512,979</u>	<u>\$ 8,045,601</u>
\$	\$ 880,404	\$ 7,382,480	\$ 522,931	\$ 8,045,601
	(738)	(34,775)	(9,952)	
		1,170,000		
		278,907		
<u>\$ 0</u>	<u>\$ 879,666</u>	<u>\$ 8,796,612</u>	<u>\$ 512,979</u>	<u>\$ 8,045,601</u>

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

KENTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 33,667,198
In Lieu Tax Payments			31,953
Excess Fees			1,421,214
Licenses and Permits			164,267
Intergovernmental	1,289,200		8,983,283
Charges for Services		201,646	6,031,294
Miscellaneous			5,220,262
Interest	5		56,648
Total Receipts	<u>1,289,205</u>	<u>201,646</u>	<u>55,576,119</u>
DISBURSEMENTS			
General Government			6,995,400
Protection to Persons and Property			15,425,098
General Health and Sanitation			2,748,520
Social Services			547,022
Recreation and Culture		245,082	1,227,810
Roads			4,915,774
Bus Services			8,546,308
Other Transportation Facilities and Services			1,529,217
Road Facilities			865,567
Debt Service	3,691,675		3,691,675
Capital Projects			6,784,238
Administration	130,707		6,461,389
Total Disbursements	<u>3,822,382</u>	<u>245,082</u>	<u>59,738,018</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,533,177)</u>	<u>(43,436)</u>	<u>(4,161,899)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	12,005,000		12,005,000
Premium on Bonds	131,746		131,746
Transfer To Escrow Agent	(11,999,945)		(11,999,945)
Transfers From Other Funds	2,402,475		11,662,475
Transfers To Other Funds			(11,662,475)
Total Other Adjustments to Cash (Uses)	<u>2,539,276</u>		<u>136,801</u>
Net Change in Fund Balance	6,099	(43,436)	(4,025,098)
Fund Balance - Beginning	<u>204</u>	<u>183,363</u>	<u>37,997,029</u>
Fund Balance - Ending	<u>\$ 6,303</u>	<u>\$ 139,927</u>	<u>\$ 33,971,931</u>
Composition of Fund Balance			
Bank Balance	\$ 6,303	\$ 140,010	\$ 32,849,524
Less: Outstanding Checks		(83)	(326,500)
Certificates of Deposit			1,170,000
Investments			278,907
Fund Balance - Ending	<u>\$ 6,303</u>	<u>\$ 139,927</u>	<u>\$ 33,971,931</u>

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

KENTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

	Internal Service Funds			Total Internal Service Funds
	Liability Self-Insurance Fund	Medical Self-Insurance Fund	Insurance Claims TPA Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous	557,903	4,409,317	118,221	5,085,441
Interest	122	50	13	185
Total Receipts	<u>558,025</u>	<u>4,409,367</u>	<u>118,234</u>	<u>5,085,626</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Bus Services				
Other Transportation Facilities and Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration	1,004,245	4,638,315	707,397	6,349,957
Total Disbursements	<u>1,004,245</u>	<u>4,638,315</u>	<u>707,397</u>	<u>6,349,957</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(446,220)</u>	<u>(228,948)</u>	<u>(589,163)</u>	<u>(1,264,331)</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds				
Premium on Bonds				
Transfer To Escrow Agent				
Transfers From Other Funds	929,163		666,774	1,595,937
Transfers To Other Funds	(660,764)	(16,774)		(677,538)
Total Other Adjustments to Cash (Uses)	<u>268,399</u>	<u>(16,774)</u>	<u>666,774</u>	<u>918,399</u>
Net Change in Fund Balance	(177,821)	(245,722)	77,611	(345,932)
Fund Balance - Beginning	1,303,759	552,595	54,611	1,910,965
Fund Balance - Ending	<u>\$ 1,125,938</u>	<u>\$ 306,873</u>	<u>\$ 132,222</u>	<u>\$ 1,565,033</u>
Composition of Fund Balance				
Bank Balance	\$ 1,126,288	\$ 306,873	\$ 241,695	\$ 1,674,856
Less: Outstanding Checks	(350)		(109,473)	(109,823)
Certificates of Deposit				
Investments				
Fund Balance - Ending	<u>\$ 1,125,938</u>	<u>\$ 306,873</u>	<u>\$ 132,222</u>	<u>\$ 1,565,033</u>

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

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TO THE FINANCIAL STATEMENT**

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**KENTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

CDBG Fund - The primary purpose of this fund is to account for community development block grants and related disbursements. The primary source of receipts for this fund is federal grants.

Golf Fund - The primary purpose of this fund is to account for the activities of the county golf courses.

COLT Fund - The primary purpose of this fund is to account for the collection of occupational licenses and payroll taxes.

Dispatch Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 parcel fee.

Capital Fund - The primary purpose of this fund is to account for funds reserved by the county for capital projects.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

Internal Service Funds

The fiscal court reports the following internal service funds:

Liability Self-Insurance Fund - The primary purpose of this fund is to account for liability insurances for the county. This insurance covers: real and personal property, automobile physical damage, business income and extra expense, property in transit, data processing media and system equipment, general liability and law enforcement liability, medical payments, good Samaritan, automobile liability, public officials' liability, employer's liability, loss inside and outside premises, forgery or alterations, and workers compensation.

Medical Self-Insurance Fund - The primary purpose of this fund is to account for the administration of the county's health insurance receipts and disbursements.

Insurance Claims TPA Fund - The primary purpose of this fund is to account for medical claims paid.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(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.

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

E. Kenton County Elected Officials

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2017, the fiscal court had the following investments and maturities:

Investments Table

Type	Cost Basis	Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Cash Equivalents	\$ 4,930	\$ 4,930			\$
Investments:					
U.S. Government and U.S. Agencies Bonds	273,977	273,977			
Total Investments	273,977	273,977			
Total Fund Balance	\$ 278,907	\$ 278,907	\$ 0	\$ 0	\$ 0

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the fiscal court will not be able to recover the value of its certificates of deposit, investments or collateral securities that are in the possession of an outside party. The fiscal court's investment policy requires counterparties to provide sufficient collateral or other insurance if any investments or deposits exceed the insurance provided by Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). All certificates of deposit and investments must be held by the counterparty in the fiscal court's name. The fiscal court has \$1,170,000 of certificates of deposit and \$278,907 of investments in securities held by the counterparties' trust departments in the fiscal court's name. The counterparty maintains the \$1,170,000 of certificates of deposit at depository institutions insured by the FDIC and limits certificates of deposit at each depository institution to \$250,000 FDIC coverage limit. In addition, the SIPC provides up to \$500,000 coverage for securities and cash (limit of \$250,000 for cash) per client and the counterparties maintain additional insurance coverage for loss of securities and cash above the coverage provided by FDIC and SIPC.

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

- 1) Obligations of the United States and of its agencies and instrumentalities.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States Government.
- 4) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240.
- 5) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by nationally recognized rating agency.
- 6) Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- 7) Commercial paper rated in the highest category by a nationally recognized rating agency.
- 8) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- 9) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.
- 10) Shares of mutual funds, each of which shall have the following characteristics:
 - a) The mutual funds shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended.
 - 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, 2017, the fiscal court does not have any investments in these categories.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits and Investments (Continued)

The fiscal court's rated investments, as of June 30, 2017, and the ratings are presented in the table below. All issuers of the municipal bonds are located in the Commonwealth of Kentucky.

Credit Risk Table

Type	Standard & Poor's/Moody's Credit Ratings					Unrated/NA	Cost Basis	
	AAA/Aaa	AA/Aa	A	WR				
Cash Equivalents	\$	\$	\$	\$	\$	4,930	\$ 4,930	
Investments:								
U.S. Government and U.S. Agencies Bonds		273,977					273,977	
Total Investments		273,977					273,977	
Total Fund Balance	\$	273,977	\$	0	\$	0	\$	278,907

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.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Total Transfers In
Road Fund	\$ 2,250,000	\$ 2,250,000
Jail Fund	6,550,000	6,550,000
Golf Fund	460,000	460,000
Public Properties Corporation Fund	2,402,475	2,402,475
Total Transfers Out	<u>\$ 11,662,475</u>	<u>\$ 11,662,475</u>

Reason for transfers:

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017 was \$282,922.

Flex Spending Fund - This fund accounts for funds received from employees for their flexible spending accounts. The balance in the flex spending fund as of June 30, 2017 was \$46,143.

HRA Fund - This fund accounts for funds received from the county to reimburse certain employee medical expenses. The balance in the HRA fund as of June 30, 2017 was \$147,624.

COLT Cities Tax Fund – This fund accounts for payroll taxes received from businesses and remitted to the local cities and other county funds. The balance in the COLT cities tax fund as of June 30, 2017 was \$27,337.

Note 5. Long-term Debt

A. General Obligation Bonds, Series 2004B -Various Purposes

Kenton County Fiscal Court issued \$15,990,000 of its Various Purpose General Obligation(GO) Bonds, 2004 Series B, for the purpose of advance refunding a portion of Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Parking Facilities Project) 1996 Series A, to advance refund a portion of Kenton County, Kentucky, Public Properties Corporation First Mortgage Revenue Bonds (Park and Recreational Facilities Project) 1995 Series A, and to reimburse the county for funds used to repay amounts due and owing under a Lease Participation Agreement by and between the Kentucky Local Correctional Facilities Construction Authority and the County of Kenton, Kentucky, acting by and through its fiscal court dates as of October 15, 1984 as amended February 15, 1987 and amended on February 1, 1994 (“Collectively the Refunding”). The bonds were issued in denominations of \$5,000 each and integral multiples thereof. The bonds mature on December 1 of years 2006 through 2016, with interest of 2.0% to 4.0% payable on June 1 and December 1 of each year. This bond issue was paid off during fiscal year 2017, with no outstanding bonds payable on June 30, 2017.

B. Revenue Bonds, Series 2007 - Court Facilities Project

The Kenton County Public Properties Corporation issued bonds dated February 1, 2008 in the amount of \$17,740,000. The proceeds from the sale of the bonds were used to advance refund the outstanding mortgage revenue bonds, series 1998A, of the corporation, dated June 1, 1998, which were issued to pay the costs of construction of the courthouse facilities project. The bonds mature on March 1 of years 2009 through 2029, with interest of 4.00% to 4.25% payable on March 1 and September 1 of each year. This bond issue was refinanced during fiscal year 2017. (See note 5C) The bonds outstanding on June 30, 2017 were \$0.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

C. First Mortgage Revenue Refunding Bonds, Series 2017 – Court Facilities Project

The Kenton County Public Properties Corporation issued bonds dated February 22, 2017 in the amount of \$12,005,000. The proceeds from the sale of the bonds were used to advance refund the outstanding mortgage revenue bonds, series 2007, of the corporation, dated February 1, 2008, which were issued to refinance the original costs of construction of the courthouse facilities project. (See note 5B) The bonds mature on March 1 of years 2018 through 2029, with interest of 2.00% to 3.00% payable on March 1 and September 1 of each year. Bonds outstanding on June 30, 2017 were \$12,005,000. Debt service requirements for future fiscal years are as follows:

Fiscal Year Ending June 30	Principal	Interest
2018	\$ 40,000	\$ 327,258
2019	955,000	339,700
2020	970,000	320,600
2021	990,000	301,200
2022	1,020,000	271,500
2023-2027	5,560,000	880,650
2028-2029	2,470,000	111,750
Totals	<u>\$ 12,005,000</u>	<u>\$ 2,552,658</u>

D. General Obligation Bonds, Series 2009 - Detention Center

The Kenton County Public Properties Corporation issued bonds dated May 1, 2009 in the amount of \$36,540,000. Proceeds from the sale of the bonds were used for the construction of a new detention facility. The bonds mature on April 1, with interest of 2.5% to 4.375% payable on April 1 and October 1 of each year. Bonds outstanding on June 30, 2017 were \$28,250,000. Debt service requirements for future fiscal years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 1,175,000	\$ 1,222,575
2019	1,225,000	1,175,575
2020	1,275,000	1,126,575
2021	1,325,000	1,075,575
2022	1,380,000	1,022,575
2023-2027	7,775,000	4,229,638
2028-2032	9,605,000	2,396,757
2033-2034	4,490,000	313,807
Totals	<u>\$ 28,250,000</u>	<u>\$ 12,563,077</u>

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 43,405,000	\$	\$ 15,155,000	\$ 28,250,000	\$ 1,175,000
Revenue Bonds		12,005,000		12,005,000	40,000
Total Long-term Debt	<u>\$ 43,405,000</u>	<u>\$ 12,005,000</u>	<u>\$ 15,155,000</u>	<u>\$ 40,255,000</u>	<u>\$ 1,215,000</u>

Note 6. Commitments and Contingencies

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

Note 7. Employee Retirement System

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

The county's contribution for FY 2015 was \$2,501,364, and FY 2016 was \$2,540,982 and FY 2017 was \$2,498,578.

Nonhazardous

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

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. Employee Retirement System (Continued)

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

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

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

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

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

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

The county's contribution rate for hazardous employees was 31.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. Employee Retirement System (Continued)

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

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

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

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

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

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

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

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

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

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

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. Employee Retirement System (Continued)

D. Cost of Living Adjustments - Tier 1

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

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

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

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

The Kenton County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 9. Self-Insurance

Kenton County Fiscal Court elected to begin a self-funded liability, workers' compensation, and health insurance plan in April 1992. This self-funded plan covers all employees and county property. The county purchased a stop-loss insurance policy to cover losses from individual and aggregate claims once the county has reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

Kenton County Fiscal Court contracts with a third-party administrator to administer the health insurance fund. This vendor administers the enrollment of eligible individuals, maintains records of plan coverage, adjudicates claims incurred by plan participants, and processes and issues claim checks, etc. Pharmaceutical benefits are administered by a different vendor.

Kenton County Fiscal Court contracts with an insurance company for property and casualty insurance. This insurance covers: real and personal property; automobile physical damage; business income and extra expense; property in transit; data processing media and system equipment; general liability and law enforcement liability; medical payments; good Samaritan; automobile liability; public officials' liability; employer's liability; loss inside and outside the premises; forgery or alterations, and workers' compensation.

Note 10. Conduit Debt

From time to time the county has issued bonds to provide financial assistance 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 Kenton County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2017, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 11. LGEA Fund

The LGEA fund had no activity and was not budgeted for the year ended June 30, 2017.

Note 12. Tax Abatements

Pursuant to GASB Statement No. 77, Tax Abatement Disclosures, the Kenton County Fiscal Court is required to disclose certain information about tax abatements as defined in the statement. GASB 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the county or its citizens.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 12. Tax Abatements (Continued)

The Kenton County Fiscal Court offers property tax abatements through the following agreements;

A 20 year, tiered tax abatement bound by an agreement dated 3/2/2000 between the Kenton County Fiscal Court, the City of Covington and a Developer to construct luxury apartments in an effort to boost economic development, increase property values and also increase real estate tax revenue. The 33% tax abatement in FY17 amounted to \$6,660 in abated taxes. The payment in lieu of taxes as set forth in the agreement is a percentage of property taxes the county would receive if there was no agreement in place. The percentage increases every 5 years. The payment in lieu of taxes is paid to the City of Covington no later than September 30th of each calendar year at which point the City of Covington deducts their share of the payment in lieu of taxes and forwards the County's share to the Kenton County Treasurer.

A 25 year, tiered tax abatement bound by an agreement dated 11/4/2004 between the Kenton County Fiscal Court, the City of Covington and a Developer to construct a car dealership in an effort to boost economic development and increase property values as well as real estate and occupational tax revenue. The tax abatement in FY17 amounted to \$7,231. The payment in lieu of taxes is calculated by an agreed upon percentage of a specific dollar amount of assessed value that increases every 5 years. The payment in lieu of taxes is paid to the City of Covington each calendar year at which point the City of Covington deducts their share of the payment in lieu of taxes and forwards the County's share to the Kenton County Treasurer.

A 20 year tax abatement bound by an agreement dated 08/24/2005 between the Kenton County Fiscal Court, the City of Covington and a Developer to construct a mixed use commercial and residential property in an effort to boost economic development and increase property values as well as real estate and occupational tax revenue. The 75% tax abatement in FY17 amounted to \$59,444. The payment in lieu of taxes is calculated as a percentage of the real estate taxes the county would receive if there was no agreement in place. The payment in lieu of taxes is paid to the City of Covington each calendar year at which point the City of Covington deducts their share of the payment in lieu of taxes and forwards the County's share to the Kenton County Treasurer.

A 30 year tiered tax abatement bound by an agreement dated 4/1/2016 between the Kenton County Fiscal Court, the City of Covington and a Developer to construct a mixed use commercial and residential property in an effort to boost economic development and increase property values as well as real estate and occupational tax revenue. The tax abatement in FY17 amounted to \$17,050 in abated taxes. The payment in lieu of taxes is set forth in the agreement as a specific dollar amount that increases every 5 years. The payment is sent directly to the Kenton County Treasurer each calendar year. In the event of a default payment that is not cured by the Developer within 30 days, the PILOT shall become null and void as of the tax year of the default payment and the Developer shall pay the amount equal to 100% of the amount of ad valorem property tax payments that the County would have derived from the Project but for the exemption of the Project from ad valorem taxation pursuant to the provisions of Section 103.285 of the Kentucky Revised Statutes.

A 30 year tiered tax abatement bound by an agreement dated 10/31/2016 between the Kenton County Fiscal Court, the City of Covington and a Developer to construct a mixed use commercial and residential property in an effort to boost economic development and increase property values as well as real estate and occupational tax revenue. The tax abatement in FY17 amounted to \$23,680. The payment in lieu of taxes is set forth in the agreement as a specific dollar amount that increases every 5 years. The payment is sent directly to the Kenton County Treasurer each calendar year. In the event of default in payment as required to the County which is not cured by the Developer within 30 days, the PILOT shall become null and void as of the tax year of the default payment and the Developer shall pay the amount equal to 100% of the amount of ad valorem property tax payments that the County would have derived from the Project but for the exemption of the Project from ad valorem taxation pursuant to the provisions of Section 103.285 of the Kentucky Revised Statutes.

KENTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 13. Health Reimbursement Account

The health reimbursement account was a health savings plan in which the county reimbursed the employee for incurred medical expenses. Under the plan the county had, any employees that were enrolled were eligible for either \$500 (single) or \$1,000 (family or employee + spouse) in reimbursements. Insurance premiums were not eligible for reimbursement, only actual incurred medical expense. The county no longer offers this type of plan to its employees. The ending balance in the account as of June 30, 2017 is available to the employees already in the fund until their balances are depleted.

Note 14. Flexible Spending Account

The flexible spending account is a flexible spending account in which an employee can withhold pre-tax dollars to be used for incurred medical expenses. Before 2014, any money in a flexible spending account must be used by the end of the plan year or it is forfeited. Starting in 2014, up to \$500 may be “rolled-over” into the following plan year. Insurance premiums are not eligible for reimbursement, only actual incurred medical expenses.

Note 15. Prior Period Adjustment

The beginning balance of the Public Properties Corporation Fund was increased by \$29 to account for a small account balance in one of the accounts held by the Public Properties Corporation Fund.

Note 16. Golf Course Lease Agreement

The Kenton County Fiscal Court (Lessor) entered into an agreement with Davey Golf (Lessee) for the lease of the Golf Courses of Kenton County. The Lessee may use the premises as a golf course or for catering, corporate and personal events, such as weddings, group meetings, training, seminars and catering events and for any and all other ancillary uses that are consistent with the operation of the Golf Courses and the applicable city zoning for the premises. The lease was effective July 1, 2016 for an initial term of three and a half years and renewable thereafter for three additional terms of one-year each. The lease agreement requires the Lessee to pay to Lessor rent in the amount of \$50,000 per year, to be paid in quarterly installments of \$12,500, payable on March 20, June 20, September 20, and December 20 each year, commencing July 1, 2016. In addition, the Lessee shall pay 20% of the gross revenue from golf operations (excluding food and beverage) in excess of \$2,500,000 from January 1 through November 30 of each year, to be paid before December 31 each year. The Lessee shall pay all maintenance costs, utilities, real estate taxes, tangible taxes and sales taxes applicable to the use and operation of the golf course. The Lessor will maintain in good condition and repair or replace the structural portions of the premises, including without limitation the roof, exterior walls, structural foundations and floor structures of the premises, exterior pavement, pavement striping, all bridges, all building systems and equipment not required to be maintained by the Lessee pursuant to the lease agreement. At the expiration of the lease the leased property will remain the property of the Lessor. The Lessee and Lessor both may terminate this lease by giving 30 days’ written notice to the other party upon an event of default of the lease terms by either party.

Note 17. Subsequent Events

On August 18, 2017, the Kenton County Fiscal Court entered into a lease agreement in the amount of \$5,600,000 for the operation of a 911 emergency call system. The lease will run through February 1, 2017. In addition, on October 4, 2017, the Kenton County Fiscal Court issued \$27,225,000 General Obligation Refunding Bonds series 2017A and \$31,000,000 General Obligation Bonds series 2017B. The proceeds of these bonds will be used to advance refund outstanding General Obligation Bonds series 2009 and to finance the costs of various public improvements to the County Administration Building.

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 18,549,000	\$ 18,549,000	\$ 18,789,595	\$ 240,595
In Lieu Tax Payments	31,000	31,000	31,953	953
Excess Fees	1,675,000	1,675,000	1,421,214	(253,786)
Licenses and Permits	165,700	165,700	164,267	(1,433)
Intergovernmental	681,700	681,700	849,071	167,371
Charges for Services	1,403,400	1,403,400	1,416,184	12,784
Miscellaneous	3,340,750	3,340,750	3,538,825	198,075
Interest	25,000	25,000	974	(24,026)
Total Receipts	<u>25,871,550</u>	<u>25,871,550</u>	<u>26,212,083</u>	<u>340,533</u>
DISBURSEMENTS				
General Government	6,859,051	7,090,336	6,211,226	879,110
Protection to Persons and Property	4,496,069	4,610,853	4,417,236	193,617
General Health and Sanitation	1,756,474	1,782,871	1,096,456	686,415
Social Services	65,000	65,000	57,834	7,166
Recreation and Culture	822,558	824,846	710,775	114,071
Debt Service	3,678,676	3,678,676		3,678,676
Capital Projects	25,543,470	25,669,796	5,407,088	20,262,708
Administration	14,682,241	14,181,161	2,321,906	11,859,255
Total Disbursements	<u>57,903,539</u>	<u>57,903,539</u>	<u>20,222,521</u>	<u>37,681,018</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(32,031,989)</u>	<u>(32,031,989)</u>	<u>5,989,562</u>	<u>38,021,551</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	20,000,000	20,000,000		(20,000,000)
Transfers From Other Funds	8,303,898	8,303,898		(8,303,898)
Transfers To Other Funds	(12,905,507)	(12,905,507)	(11,662,475)	1,243,032
Total Other Adjustments to Cash (Uses)	<u>15,398,391</u>	<u>15,398,391</u>	<u>(11,662,475)</u>	<u>(27,060,866)</u>
Net Change in Fund Balance	(16,633,598)	(16,633,598)	(5,672,913)	10,960,685
Fund Balance - Beginning	<u>16,633,598</u>	<u>16,633,598</u>	<u>19,406,290</u>	<u>2,772,692</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,733,377</u>	<u>\$ 13,733,377</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,463,471	\$ 38,471
Intergovernmental	6,869,086	6,869,086	1,346,766	(5,522,320)
Charges for Services	1,676,470	1,676,470	1,733,822	57,352
Miscellaneous	227,500	227,500	215,723	(11,777)
Interest			81	81
Total Receipts	<u>10,198,056</u>	<u>10,198,056</u>	<u>4,759,863</u>	<u>(5,438,193)</u>
DISBURSEMENTS				
Roads	11,805,145	12,268,036	4,915,774	7,352,262
Road Facilities	1,025,070	1,071,521	865,567	205,954
Capital Projects	941,500	1,241,729	1,108,287	133,442
Administration	1,103,216	293,645	555	293,090
Total Disbursements	<u>14,874,931</u>	<u>14,874,931</u>	<u>6,890,183</u>	<u>7,984,748</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,676,875)</u>	<u>(4,676,875)</u>	<u>(2,130,320)</u>	<u>2,546,555</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>3,577,400</u>	<u>3,577,400</u>	<u>2,250,000</u>	<u>(1,327,400)</u>
Total Other Adjustments to Cash (Uses)	<u>3,577,400</u>	<u>3,577,400</u>	<u>2,250,000</u>	<u>(1,327,400)</u>
Net Change in Fund Balance	(1,099,475)	(1,099,475)	119,680	1,219,155
Fund Balance - Beginning	<u>1,099,475</u>	<u>1,099,475</u>	<u>1,099,209</u>	<u>(266)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,218,889</u>	<u>\$ 1,218,889</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,039,100	\$ 3,039,100	\$ 3,386,733	\$ 347,633
Charges for Services	57,500	57,500	44,103	(13,397)
Miscellaneous	783,000	783,000	880,618	97,618
Interest			67	67
Total Receipts	<u>3,879,600</u>	<u>3,879,600</u>	<u>4,311,521</u>	<u>431,921</u>
DISBURSEMENTS				
Protection to Persons and Property	7,863,215	8,117,363	7,763,759	353,604
Capital Projects	68,700	30,200	25,670	4,530
Administration	3,746,326	3,530,678	2,984,095	546,583
Total Disbursements	<u>11,678,241</u>	<u>11,678,241</u>	<u>10,773,524</u>	<u>904,717</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,798,641)</u>	<u>(7,798,641)</u>	<u>(6,462,003)</u>	<u>1,336,638</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	7,249,000	7,249,000	6,550,000	(699,000)
Total Other Adjustments to Cash (Uses)	<u>7,249,000</u>	<u>7,249,000</u>	<u>6,550,000</u>	<u>(699,000)</u>
Net Change in Fund Balance	(549,641)	(549,641)	87,997	637,638
Fund Balance - Beginning	549,641	549,641	550,580	939
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 638,577</u>	<u>\$ 638,577</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	CDBG FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 919,947	\$ 919,947	\$ 781,637	\$ (138,310)
Total Receipts	<u>919,947</u>	<u>919,947</u>	<u>781,637</u>	<u>(138,310)</u>
DISBURSEMENTS				
General Government	999,655	999,655	784,174	215,481
Total Disbursements	<u>999,655</u>	<u>999,655</u>	<u>784,174</u>	<u>215,481</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(79,708)</u>	<u>(79,708)</u>	<u>(2,537)</u>	<u>77,171</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	79,107	79,107		(79,107)
Total Other Adjustments to Cash (Uses)	<u>79,107</u>	<u>79,107</u>		<u>(79,107)</u>
Net Change in Fund Balance	(601)	(601)	(2,537)	(1,936)
Fund Balance - Beginning	<u>601</u>	<u>601</u>	<u>2,537</u>	<u>1,936</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	GOLF FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$		\$ 11,172	\$ 11,172
Miscellaneous		370,000	416,944	46,944
Interest			38	38
Total Receipts		370,000	428,154	58,154
DISBURSEMENTS				
Recreation and Culture		221,990	271,953	124,332
Capital Projects		2,013,500	243,193	1,640,221
Administration		311,322	6,468	260,645
Total Disbursements		2,546,812	521,614	2,025,198
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,176,812)	(93,460)	2,083,352
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds		2,000,000	460,000	(1,540,000)
Transfers To Other Funds		(300,000)		300,000
Total Other Adjustments to Cash (Uses)		1,700,000	460,000	(1,240,000)
Net Change in Fund Balance		(476,812)	366,540	843,352
Fund Balance - Beginning		476,812	513,126	36,314
Fund Balance - Ending	\$	0	\$ 879,666	\$ 879,666

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	COLT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 11,900,000	\$ 11,900,000	\$ 13,414,132	\$ 1,514,132
Intergovernmental	650,000	650,000	746,147	96,147
Miscellaneous	225,000	225,000	168,152	(56,848)
Interest			13,845	13,845
Total Receipts	<u>12,775,000</u>	<u>12,775,000</u>	<u>14,342,276</u>	<u>1,567,276</u>
DISBURSEMENTS				
General Health and Sanitation	1,964,600	2,014,800	1,652,064	362,736
Social Services	731,000	731,000	489,188	241,812
Bus Services	8,743,831	8,743,831	8,546,308	197,523
Other Transportation Facilities and Services	1,535,600	1,535,600	1,529,217	6,383
Administration	5,617,417	5,567,217		5,567,217
Total Disbursements	<u>18,592,448</u>	<u>18,592,448</u>	<u>12,216,777</u>	<u>6,375,671</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(5,817,448)</u>	<u>(5,817,448)</u>	<u>2,125,499</u>	<u>7,942,947</u>
Net Change in Fund Balance	(5,817,448)	(5,817,448)	2,125,499	7,942,947
Fund Balance - Beginning	<u>5,817,448</u>	<u>5,817,448</u>	<u>6,671,113</u>	<u>853,665</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,796,612</u>	<u>\$ 8,796,612</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

DISPATCH FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 480,000	\$ 480,000	\$ 583,729	\$ 103,729
Charges for Services	2,626,500	2,626,500	2,624,367	(2,133)
Total Receipts	<u>3,106,500</u>	<u>3,106,500</u>	<u>3,208,096</u>	<u>101,596</u>
DISBURSEMENTS				
Protection to Persons and Property	8,282,660	8,365,826	3,244,103	5,121,723
Administration	1,890,792	1,807,626	1,017,658	789,968
Total Disbursements	<u>10,173,452</u>	<u>10,173,452</u>	<u>4,261,761</u>	<u>5,911,691</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,066,952)</u>	<u>(7,066,952)</u>	<u>(1,053,665)</u>	<u>6,013,287</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	5,600,000	5,600,000		(5,600,000)
Total Other Adjustments to Cash (Uses)	<u>5,600,000</u>	<u>5,600,000</u>		<u>(5,600,000)</u>
Net Change in Fund Balance	(1,466,952)	(1,466,952)	(1,053,665)	413,287
Fund Balance - Beginning	<u>1,466,952</u>	<u>1,466,952</u>	<u>1,566,644</u>	<u>99,692</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 512,979</u>	<u>\$ 512,979</u>

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	CAPITAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 41,638	\$ 41,638
Total Receipts			41,638	41,638
DISBURSEMENTS				
Administration				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			41,638	41,638
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(8,003,898)	(8,003,898)		8,003,898
Total Other Adjustments to Cash (Uses)	(8,003,898)	(8,003,898)		8,003,898
Net Change in Fund Balance	(8,003,898)	(8,003,898)	41,638	8,045,536
Fund Balance - Beginning	8,003,898	8,003,898	8,003,963	65
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,045,601	\$ 8,045,601

KENTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2017

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KENTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 17,573,153	\$ 4,649,645	\$	\$ 22,222,798
Construction In Progress	381,979	2,268,182		2,650,161
Buildings	114,988,226	138,362		115,126,588
Land and Building Improvements	7,029,683			7,029,683
Vehicles and Equipment	16,582,473	1,486,304	1,457,834	16,610,943
Infrastructure	14,448,545	224,482		14,673,027
 Total Capital Assets	 <u>\$ 171,004,059</u>	 <u>\$ 8,766,975</u>	 <u>\$ 1,457,834</u>	 <u>\$ 178,313,200</u>

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

June 30, 2017

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Land and Building Improvements	\$ 50,000	10-75
Vehicles and Equipment	\$ 10,000	3-15
Infrastructure	\$ 25,000	10-50

**KENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2017

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**KENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total County Expenditures</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Homeland Security</u>					
<i>Passed-Through State Department: Kentucky Emergency Management</i>					
Emergency Management Performance Grant	97.042	PO2 095 1600002148 1	\$	\$ 2,473	\$ 2,473
Emergency Management Performance Grant	97.042	PO2 095 1700001447 1		53,278	53,278
Emergency Management Performance Grant Special Projects	97.042	FYP-33957		4,752	4,752
Total U.S. Department of Homeland Security				60,503	60,503
<u>U. S. Department of Justice</u>					
<i>Passed-Through State Department: Kentucky Justice & Public Safety Cabinet</i>					
2015 Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0518	23,504		23,504
2016 Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0216	22,211	9,519	31,730
			45,715	9,519	55,234
<i>Direct Program</i>					
Equitable Sharing Program	16.922	N/A		58,584	58,584
Total U.S. Department of Justice			45,715	68,103	113,818
<u>U. S. Department of Transportation: National Highway Traffic Safety Administration</u>					
<i>Passed-Through State Department: Kentucky Transportation Cabinet of Highway Safety</i>					
2016 Highway Safety Grant	20.616	M2HVE-16-11		4,936	4,936
2017 Highway Safety Grant	20.616	PT-2017-26		2,475	2,475
Total U. S. Department of Transportation: National Highway Traffic Safety Administration				7,411	7,411
<u>U. S. Department of Federal Highway Administration</u>					
<i>Passed-Through State Department: Kentucky Transportation Cabinet</i>					
Federal Project Number 3002-258	20.205	PO2-625-1400002177		108,330	108,330
Total U.S. Department of Federal Highway Administration				108,330	108,330
<u>U. S. Department of Housing & Urban Development</u>					
<i>Passed-Through State Department: Department for Local Government</i>					
(CDBG) New Buffington Road Sewer Project	14.228	12-079	494,174	40,000	534,174
(CDBG)Transitions Grateful Life Center (Recovery Project)	14.228	14-055		6,250	6,250
(CDBG)Transitions Grateful Life Center (Recovery Project)	14.228	15-073	237,500	6,250	243,750
Total U.S. Department of Housing & Urban Development			731,674	52,500	784,174
Total Expenditures of Federal Awards			\$ 777,389	\$ 296,847	1,074,236

The accompanying notes are an integral part of this schedule

KENTON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Kenton County, Kentucky under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Kenton County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kenton County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Kenton County has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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PATRICK & ASSOCIATES, LLC

The Honorable Kris Knochelmann, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Kenton County Fiscal Court for the fiscal year ended June 30, 2017 and the related notes to the financial statement which collectively comprise the Kenton County Fiscal Court's financial statement and have issued our report thereon dated August 29, 2019.

Internal Control Over Financial Reporting

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

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

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

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

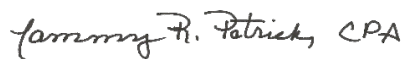
Compliance And Other Matters

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

Purpose of this Report

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

Respectfully submitted,

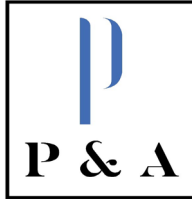


Tammy R. Patrick, CPA
Patrick & Associates, LLC

August 29, 2019

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

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PATRICK & ASSOCIATES, LLC

The Honorable Kris Knochelmann, Kenton County Judge/Executive
Members of the Kenton County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Kenton County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Kenton County Fiscal Court's major federal programs for the year ended June 30, 2017. The Kenton County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Kenton County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

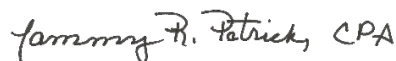
Management of the Kenton County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Kenton County Fiscal Court's internal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

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

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

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

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

August 29, 2019

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

Section I: Summary of Auditor’s Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u> 14.228	<u>Name of Federal Program or Cluster</u> Community Development Block Grant
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II: Financial Statement Findings

None.

Section III: Federal Award Findings And Questioned Costs

None.



KRIS A. KNOCHELMANN
County Judge/Executive
859.392.1415

KENTON COUNTY FISCAL COURT
P.O. Box 792
303 Court Street, Suite 207
Covington, KY 41012-0792

Rov D. Cox
County Treasurer
859.392.1420

**KENTON COUNTY FISCAL COURT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Finding 2016-001 The Kenton County Golf Course Had Lax Internal Controls Which Increased Opportunities For Misappropriations Of Assets

Current Status: Corrected. On July 1, 2016, the County entered into a lease agreement with a vendor for the golf course property, equipment and improvements for a three-year term with three annual renewal terms. The vendor assumed all operations and all financial risk of operations. No similar findings were noted in the 2017 audit.

Finding 2016-002 The Former Golf Course Manager Acted As IT Administrator Of The Kenton County Golf Course Accounting System

Current Status: Corrected. On July 1, 2016, the County entered into a lease agreement with a vendor for the golf course property, equipment and improvements for a three-year term with three annual renewal terms. The vendor assumed all operations and all financial risk of operations. No similar findings were noted in the 2017 audit.

Finding 2016-003 The Kenton County Golf Course Did Not Have Adequate Controls Over Receipts And Reconciliations

Current Status: Corrected. On July 1, 2016, the County entered into a lease agreement with a vendor for the golf course property, equipment and improvements for a three-year term with three annual renewal terms. The vendor assumed all operations and all financial risk of operations. No similar findings were noted in the 2017 audit.

Finding 2016-004 The Kenton County Golf Course Manager Overrode The County's Disbursements Policy

Current Status: Corrected. On July 1, 2016, the County entered into a lease agreement with a vendor for the golf course property, equipment and improvements for a three-year term with three annual renewal terms. The vendor assumed all operations and all financial risk of operations. No similar findings were noted in the 2017 audit.

Finding 2016-005 The Kenton County Golf Course Did Not Have Adequate Controls Over Rainchecks And Gift Cards

Current Status: Corrected. On July 1, 2016, the County entered into a lease agreement with a vendor for the golf course property, equipment and improvements for a three-year term with three annual renewal terms. The vendor assumed all operations and all financial risk of operations. No similar findings were noted in the 2017 audit.

Finding 2016-006 The County Did Not Have A Written Agreement To Protect Deposits

Current Status: Corrected. The county entered into a written agreement with their depository institution which met the requirements of 12 U.S.C.A. §1823(e) which secured the county's interest in the collateral pledged or provided by their depository institution. No similar findings were noted in the 2017 audit.