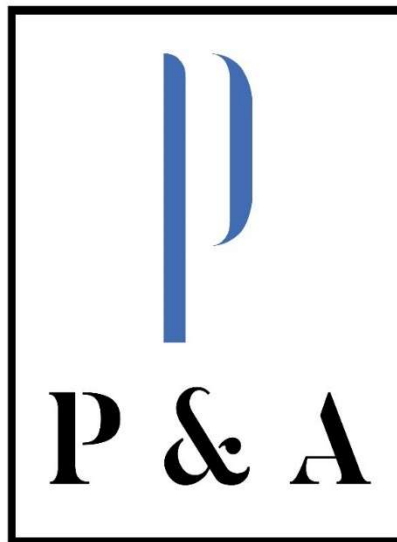


**REPORT OF THE AUDIT OF THE
KENTON COUNTY
FISCAL COURT**

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



PATRICK & ASSOCIATES, LLC

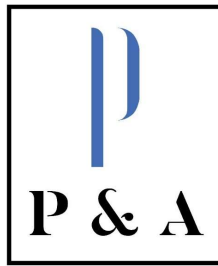
**124 Candlewood Drive
Winchester, KY 40391**

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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, 2018, 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, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Kenton County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Kenton County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule 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.

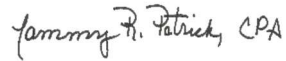
The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures 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 and Capital Asset Schedule 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 December 5, 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,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

December 5, 2019

KENTON COUNTY OFFICIALS**For The Year Ended June 30, 2018****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
Kurt Greivenkamp	Assistant Treasurer
Bryan Norton	Occupational License Inspector

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 19,145,717	\$ 1,631,545	\$
In Lieu Tax Payments	36,479		
Excess Fees	1,637,886		
Licenses and Permits	163,896		
Intergovernmental	815,760	1,704,333	3,171,735
Charges for Services	1,387,614	580,907	76,195
Miscellaneous	3,892,478	205,345	925,012
Interest	296,993	502	345
Total Receipts	<u>27,376,823</u>	<u>4,122,632</u>	<u>4,173,287</u>
DISBURSEMENTS			
General Government	6,234,844		
Protection to Persons and Property	4,600,446		8,313,605
General Health and Sanitation	1,091,786		
Social Services	68,017		
Recreation and Culture	690,935		
Roads		3,904,970	
Bus Services			
Road Facilities		944,515	
Debt Service	2,171,897		
Capital Projects	7,046,611	857,205	15,038
Administration	3,309,646		3,262,939
Total Disbursements	<u>25,214,182</u>	<u>5,706,690</u>	<u>11,591,582</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,162,641</u>	<u>(1,584,058)</u>	<u>(7,418,295)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds and Financing Obligation Proceeds	58,225,000		
Bond Premiums	4,425,948		
Transfer To Escrow Agent	(29,801,292)		
Transfers From Other Funds		1,591,000	7,450,000
Transfers To Other Funds	(9,652,287)		
Total Other Adjustments to Cash (Uses)	<u>23,197,369</u>	<u>1,591,000</u>	<u>7,450,000</u>
Net Change in Fund Balance	25,360,010	6,942	31,705
Fund Balance - Beginning	13,733,377	1,218,889	638,577
Fund Balance - Ending	<u>\$ 39,093,387</u>	<u>\$ 1,225,831</u>	<u>\$ 670,282</u>
Composition of Fund Balance			
Bank Balance	\$ 39,606,009	\$ 1,225,831	\$ 670,282
Plus: Deposits In Transit	2,060		
Less: Outstanding Checks	(514,682)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 39,093,387</u>	<u>\$ 1,225,831</u>	<u>\$ 670,282</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, 2018
(Continued)

Budgeted Funds				
CDBG Fund	Golf Fund	COLT Fund	Dispatch Fund	Capital Fund
\$	\$	\$ 12,956,423	\$	\$
227,000		724,612	827,368	
			4,821,763	
	50,000	230,760		
	269	21,121		75,603
<u>227,000</u>	<u>50,269</u>	<u>13,932,916</u>	<u>5,649,131</u>	<u>75,603</u>
227,000			5,231,930	
		2,722,261		
		544,478		
	20,758			
		8,705,713		
			621,377	
	726,060			
			1,086,655	
<u>227,000</u>	<u>746,818</u>	<u>11,972,452</u>	<u>6,939,962</u>	
	(696,549)	1,960,464	(1,290,831)	75,603
			5,600,000	
			5,600,000	
	(696,549)	1,960,464	4,309,169	75,603
	879,666	8,796,612	512,979	8,045,601
<u>\$ 0</u>	<u>\$ 183,117</u>	<u>\$ 10,757,076</u>	<u>\$ 4,822,148</u>	<u>\$ 8,121,204</u>
\$	\$ 183,117	\$ 8,949,529	\$ 4,822,148	\$ 8,121,204
		1,807,547		
<u>\$ 0</u>	<u>\$ 183,117</u>	<u>\$ 10,757,076</u>	<u>\$ 4,822,148</u>	<u>\$ 8,121,204</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, 2018
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 33,733,685
In Lieu Tax Payments			36,479
Excess Fees			1,637,886
Licenses and Permits			163,896
Intergovernmental	368,758		7,839,566
Charges for Services		198,931	7,065,410
Miscellaneous			5,303,595
Interest	135		394,968
Total Receipts	<u>368,893</u>	<u>198,931</u>	<u>56,175,485</u>
DISBURSEMENTS			
General Government			6,461,844
Protection to Persons and Property			18,145,981
General Health and Sanitation			3,814,047
Social Services			612,495
Recreation and Culture		206,812	918,505
Roads			3,904,970
Bus Services			8,705,713
Road Facilities			944,515
Debt Service	978,546		3,771,820
Capital Projects			8,644,914
Administration			7,659,240
Total Disbursements	<u>978,546</u>	<u>206,812</u>	<u>63,584,044</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(609,653)</u>	<u>(7,881)</u>	<u>(7,408,559)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds and Financing Obligation Proceeds			63,825,000
Bond Premiums			4,425,948
Transfer To Escrow Agent			(29,801,292)
Transfers From Other Funds	611,287		9,652,287
Transfers To Other Funds			(9,652,287)
Total Other Adjustments to Cash (Uses)	<u>611,287</u>		<u>38,449,656</u>
Net Change in Fund Balance	1,634	(7,881)	31,041,097
Fund Balance - Beginning	6,303	139,927	33,971,931
Fund Balance - Ending	<u>\$ 7,937</u>	<u>\$ 132,046</u>	<u>\$ 65,013,028</u>
Composition of Fund Balance			
Bank Balance	\$ 7,937	\$ 132,443	\$ 63,718,500
Plus: Deposits In Transit			2,060
Less: Outstanding Checks		(397)	(515,079)
Certificates of Deposit			1,807,547
Fund Balance - Ending	<u>\$ 7,937</u>	<u>\$ 132,046</u>	<u>\$ 65,013,028</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, 2018
(Continued)

	Internal Service Funds			
	Liability Self-Insurance Fund	Medical Self-Insurance Fund	Insurance Claims TPA Fund	Total Internal Service Funds
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				
Charges for Services				
Miscellaneous	642,211	4,972,945	14,647	5,629,803
Interest	513	205	84	802
Total Receipts	<u>642,724</u>	<u>4,973,150</u>	<u>14,731</u>	<u>5,630,605</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Bus Services				
Road Facilities				
Debt Service				
Capital Projects				
Administration	511,876	4,933,812	1,028,932	6,474,620
Total Disbursements	<u>511,876</u>	<u>4,933,812</u>	<u>1,028,932</u>	<u>6,474,620</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>130,848</u>	<u>39,338</u>	<u>(1,014,201)</u>	<u>(844,015)</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds and Financing Obligation Proceeds				
Bond Premiums				
Transfer To Escrow Agent				
Transfers From Other Funds	1,035,763	500,000	944,700	2,480,463
Transfers To Other Funds	(1,444,700)	(501,024)		(1,945,724)
Total Other Adjustments to Cash (Uses)	<u>(408,937)</u>	<u>(1,024)</u>	<u>944,700</u>	<u>534,739</u>
Net Change in Fund Balance	(278,089)	38,314	(69,501)	(309,276)
Fund Balance - Beginning	1,125,938	306,873	132,222	1,565,033
Fund Balance - Ending	<u>\$ 847,849</u>	<u>\$ 345,187</u>	<u>\$ 62,721</u>	<u>\$ 1,255,757</u>
Composition of Fund Balance				
Bank Balance	\$ 848,199	\$ 345,187	\$ 72,831	\$ 1,266,217
Plus: Deposits In Transit				
Less: Outstanding Checks	(350)		(10,110)	(10,460)
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 847,849</u>	<u>\$ 345,187</u>	<u>\$ 62,721</u>	<u>\$ 1,255,757</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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**KENTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2018

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, 2018
(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, 2018
(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 facilities construction 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

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, 2018
(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

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Total Transfers In
Road Fund	\$ 1,591,000	\$ 1,591,000
Jail Fund	7,450,000	7,450,000
Public Properties Corporation Fund	611,287	611,287
Total Transfers Out	<u>\$ 9,652,287</u>	<u>\$ 9,652,287</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, 2018
(Continued)

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018 was \$304,615.

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, 2018 was \$64,131.

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, 2018 was \$141,205.

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, 2018 was \$26,892.

Note 5. Long-term Debt

A. 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. This bond issue was refinanced during fiscal year 2018. (See Note 5C) The bonds outstanding on June 30, 2018 were \$0.

B. 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. 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, 2018 were \$11,965,000. Debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest & Fees</u>
2019	\$ 955,000	\$ 339,700
2020	970,000	320,600
2021	990,000	301,200
2022	1,020,000	271,500
2023	1,050,000	240,900
2024-2028	5,725,000	713,850
2029	1,255,000	37,650
Totals	<u>\$ 11,965,000</u>	<u>\$ 2,225,400</u>

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

Note 5. Long-term Debt (Continued)

C. General Obligation Refunding Bonds, Series 2017A – Detention Center

The Kenton County Fiscal Court issued bonds dated October 4, 2017 in the amount of \$27,225,000. The proceeds from the sale of the bonds were used to advance refund the outstanding general obligation bonds, series 2009, of the Kenton County Public Properties Corporation, which were used for the construction of a new detention center facility. (See Note 5A) The bonds mature on April 1 of years 2018 through 2034, with interest of 3.00% to 5.00% payable on April 1 and October 1 of each year. Bonds outstanding on June 30, 2018 were \$26,180,000. Debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest & Fees</u>
2019	\$ 1,135,000	\$ 1,074,350
2020	1,195,000	1,017,600
2021	1,255,000	957,850
2022	1,315,000	895,100
2023	1,385,000	829,350
2024-2028	8,015,000	3,037,750
2029-2033	9,735,000	1,314,350
2034	2,145,000	64,350
Totals	<u>\$ 26,180,000</u>	<u>\$ 9,190,700</u>

D. General Obligation Bonds, Series 2017B – County Administration Building

The Kenton County Fiscal Court issued bonds dated October 4, 2017 in the amount of \$31,000,000. The proceeds from the sale of the bonds are being used to finance the costs of various public improvements to the County Administration Building. The bonds mature on October 1 of years 2018 through 2039, with interest of 3.30% to 5.00% payable on October 1 and April 1 of each year. Bonds outstanding on June 30, 2018 were \$31,000,000. Debt service requirements for future fiscal years are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest & Fees</u>
2019	\$ 520,000	\$ 1,152,394
2020	545,000	1,125,769
2021	575,000	1,097,769
2022	605,000	1,068,269
2023	635,000	1,037,269
2024-2028	3,705,000	4,661,845
2029-2033	4,620,000	3,749,195
2034-2038	5,555,000	2,813,101
2039-2043	6,540,000	1,823,145
2044-2048	7,700,000	663,385
Totals	<u>\$ 31,000,000</u>	<u>\$ 19,192,141</u>

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

Note 5. Long-term Debt (Continued)

E. Lease Agreement – 911 Emergency Call System

The Kenton County Fiscal Court entered into a lease agreement dated August 18, 2017 in the amount of \$5,600,000 with US Bancorp Government Leasing and Finance, Inc. The purpose of the lease is for the purchase of a 911 emergency call system. Principal payments are due annually on February 1 of years 2018 through 2027, with interest of 2.191% payable on February 1 and August 1 of each year. Lease payments outstanding on June 30, 2018 were \$5,034,177. Debt service requirements for future fiscal years are as follows:

Fiscal Year Ending June 30,	Principal	Interest & Fees
2019	\$ 512,101	\$ 110,299
2020	523,321	99,079
2021	534,787	87,613
2022	546,504	75,896
2023	558,478	63,922
2024-2027	2,358,986	130,613
Totals	<u>\$ 5,034,177</u>	<u>\$ 567,422</u>

F. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 28,250,000	\$ 58,225,000	\$ 29,295,000	\$ 57,180,000	\$ 1,655,000
Revenue Bonds	12,005,000		40,000	11,965,000	955,000
Financing Obligations		5,600,000	565,823	5,034,177	512,101
Total Long-term Debt	<u>\$ 40,255,000</u>	<u>\$ 63,825,000</u>	<u>\$ 29,900,823</u>	<u>\$ 74,179,177</u>	<u>\$ 3,122,101</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.

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

Note 7. Employee Retirement System

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

The county's contribution for FY 2016 was \$2,540,982, FY 2017 was \$2,498,578, and FY 2018 was \$2,767,786.

Nonhazardous

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

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

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

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

Hazardous

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

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

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

Note 7. Employee Retirement System (Continued)

Hazardous (continued)

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 31.55 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Note 7. Employee Retirement System (Continued)

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.

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.

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

Note 7. Employee Retirement System (Continued)

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

On February 24, 2000, 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.

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
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 9. Self-Insurance (continued)

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, 2018, 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, 2018.

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.

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

- A. 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 FY18 amounted to \$4,603 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.
- B. 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 FY18 amounted to \$7,845. 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.

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

Note 12. Tax Abatements (Continued)

- C. 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 FY18 amounted to \$59,363. 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.

- D. 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 FY18 amounted to \$18,058 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.

- E. 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 FY18 amounted to \$25,080. 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.

- F. A 30-year tiered tax abatement bound by an agreement dated 11/01/2017 between the Kenton County Fiscal Court, the City of Erlanger and a Developer to construct industrial/office use building(s) in an effort to boost economic development as well as real estate and occupational tax revenue. 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. This percentage increases by 5% every 5 years. The payment in lieu of taxes is paid to the City of Erlanger 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. If a Party (the "Failing Party") fails to perform its obligations, covenants or agreements contained in this Agreement, the other party (the Objecting Party") shall be entitled to deliver notice of such failure. Subject to other provisions of this Agreement, if the Failing Party does not commence to cure such failure within fourteen (14) days after receipt of such notice or thereafter does not diligently prosecute such cure with commercially reasonable efforts, then the Failing Party will be in default under this Agreement. However, if the Failing Party disputes such alleged failure in good faith, then the 14-day cure period shall not begin until the fact of such failure is

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

Note 12. Tax Abatements (Continued)

F. (continued)

adjudicated. (If, after the initial 14-day notice period, the Objecting Party believes that cure has not been commenced or is not being prosecuted as set forth above, such Objecting Party may then take steps necessary to obtain adjudication of whether there has been an actual failure to perform and/or whether the cure is being prosecuted as required, but under no circumstances whatsoever shall this Agreement be terminated due to a default until both (a) existence of the failure to perform and/or failure to prosecute the cure as required are adjudicated and no longer subject to appeal, and (b) the Failing Party, after being judged to be in default, has failed to commence a cure of such default within a 14-day period after such final adjudication or thereafter fails to prosecute such cure to completion.

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, 2018 is available to the employees already in the fund until their balances are depleted.

Note 14. Flexible Spending Account

The flexible spending account is an 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. 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 one-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 on 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, 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 may terminate this lease by giving thirty days written notice to the other party upon an event of default of the lease terms by either party.

Note 16. Subsequent Events

On September 20, 2018, the Kenton County Fiscal Court issued \$320,000 of General Obligation Public Project Bonds for the purpose of financing the substantial reconstruction of public ways in the Latonia Lakes subdivision to benefit the citizens of Kenton County and to pay the costs of issuance of the bonds.

KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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KENTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 18,944,587	\$ 18,944,587	\$ 19,145,717	\$ 201,130
In Lieu Tax Payments	31,000	31,000	36,479	5,479
Excess Fees	1,330,000	1,330,000	1,637,886	307,886
Licenses and Permits	165,700	165,700	163,896	(1,804)
Intergovernmental	597,050	597,050	815,760	218,710
Charges for Services	1,373,300	1,373,300	1,387,614	14,314
Miscellaneous	3,279,430	3,279,430	3,892,478	613,048
Interest	1,000	1,000	296,993	295,993
Total Receipts	<u>25,722,067</u>	<u>25,722,067</u>	<u>27,376,823</u>	<u>1,654,756</u>
DISBURSEMENTS				
General Government	7,321,030	7,525,012	6,234,844	1,290,168
Protection to Persons and Property	4,717,200	4,808,884	4,600,446	208,438
General Health and Sanitation	1,215,740	1,225,573	1,091,786	133,787
Social Services	80,000	80,700	68,017	12,683
Recreation and Culture	744,630	754,675	690,935	63,740
Debt Service	3,694,995	3,694,995	2,171,897	1,523,098
Capital Projects	25,551,550	32,390,695	7,046,611	25,344,084
Administration	12,074,113	4,918,724	3,309,646	1,609,078
Total Disbursements	<u>55,399,258</u>	<u>55,399,258</u>	<u>25,214,182</u>	<u>30,185,076</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(29,677,191)</u>	<u>(29,677,191)</u>	<u>2,162,641</u>	<u>31,839,832</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds	25,326,000	25,326,000	58,225,000	32,899,000
Bond Premiums			4,425,948	4,425,948
Transfer to Escrow Agent			(29,801,292)	(29,801,292)
Transfers From Other Funds	8,687,563	8,687,563		(8,687,563)
Transfers To Other Funds	(14,677,200)	(14,677,200)	(9,652,287)	5,024,913
Total Other Adjustments to Cash (Uses)	<u>19,336,363</u>	<u>19,336,363</u>	<u>23,197,369</u>	<u>3,861,006</u>
Net Change in Fund Balance	(10,340,828)	(10,340,828)	25,360,010	35,700,838
Fund Balance - Beginning	<u>10,340,828</u>	<u>10,340,828</u>	<u>13,733,377</u>	<u>3,392,549</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,093,387</u>	<u>\$ 39,093,387</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,425,000	\$ 1,425,000	\$ 1,631,545	\$ 206,545
Intergovernmental	10,310,184	10,310,184	1,704,333	(8,605,851)
Charges for Services	253,000	253,000	580,907	327,907
Miscellaneous	216,300	216,300	205,345	(10,955)
Interest			502	502
Total Receipts	12,204,484	12,204,484	4,122,632	(8,081,852)
DISBURSEMENTS				
Roads	15,301,189	16,344,761	3,904,970	12,439,791
Road Facilities	999,590	1,002,471	944,515	57,956
Capital Projects	849,500	976,030	857,205	118,825
Administration	1,277,220	104,237		104,237
Total Disbursements	18,427,499	18,427,499	5,706,690	12,720,809
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,223,015)	(6,223,015)	(1,584,058)	4,638,957
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000,000	5,000,000	1,591,000	(3,409,000)
Total Other Adjustments to Cash (Uses)	5,000,000	5,000,000	1,591,000	(3,409,000)
Net Change in Fund Balance	(1,223,015)	(1,223,015)	6,942	1,229,957
Fund Balance - Beginning	1,223,015	1,223,015	1,218,889	(4,126)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,225,831	\$ 1,225,831

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,104,300	\$ 3,104,300	\$ 3,171,735	\$ 67,435
Charges for Services	48,000	48,000	76,195	28,195
Miscellaneous	891,000	891,000	925,012	34,012
Interest			345	345
Total Receipts	4,043,300	4,043,300	4,173,287	129,987
DISBURSEMENTS				
Protection to Persons and Property	8,883,090	8,923,993	8,313,605	610,388
Capital Projects	10,000	15,040	15,038	2
Administration	4,185,380	4,139,437	3,262,939	876,498
Total Disbursements	13,078,470	13,078,470	11,591,582	1,486,888
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(9,035,170)	(9,035,170)	(7,418,295)	1,616,875
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	8,400,000	8,400,000	7,450,000	(950,000)
Total Other Adjustments to Cash (Uses)	8,400,000	8,400,000	7,450,000	(950,000)
Net Change in Fund Balance	(635,170)	(635,170)	31,705	666,875
Fund Balance - Beginning	635,170	635,170	638,577	3,407
Fund Balance - Ending	\$ 0	\$ 0	\$ 670,282	\$ 670,282

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

CDBG FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 388,300	\$ 388,300	\$ 227,000	\$ (161,300)
Total Receipts	388,300	388,300	227,000	(161,300)
DISBURSEMENTS				
General Government	465,500	465,500	227,000	238,500
Total Disbursements	465,500	465,500	227,000	238,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(77,200)	(77,200)		77,200
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	77,200	77,200		(77,200)
Total Other Adjustments to Cash (Uses)	77,200	77,200		(77,200)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

	GOLF FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Interest			269	269
Total Receipts	<u>50,000</u>	<u>50,000</u>	<u>50,269</u>	<u>269</u>
DISBURSEMENTS				
Recreation and Culture	21,300	31,300	20,758	10,542
Capital Projects	922,000	1,228,578	726,060	502,518
Administration	589,307	272,729		272,729
Total Disbursements	<u>1,532,607</u>	<u>1,532,607</u>	<u>746,818</u>	<u>785,789</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,482,607)</u>	<u>(1,482,607)</u>	<u>(696,549)</u>	<u>786,058</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,200,000	1,200,000		(1,200,000)
Transfers To Other Funds	<u>(600,000)</u>	<u>(600,000)</u>		<u>600,000</u>
Total Other Adjustments to Cash (Uses)	<u>600,000</u>	<u>600,000</u>		<u>(600,000)</u>
Net Change in Fund Balance	(882,607)	(882,607)	(696,549)	186,058
Fund Balance - Beginning	<u>882,607</u>	<u>882,607</u>	<u>879,666</u>	<u>(2,941)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 183,117</u>	<u>\$ 183,117</u>

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

	COLT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 13,000,000	\$ 13,000,000	\$ 12,956,423	\$ (43,577)
Intergovernmental	650,000	650,000	724,612	74,612
Miscellaneous	225,000	225,000	230,760	5,760
Interest			21,121	21,121
Total Receipts	<u>13,875,000</u>	<u>13,875,000</u>	<u>13,932,916</u>	<u>57,916</u>
DISBURSEMENTS				
General Health and Sanitation	2,769,000	2,834,339	2,722,261	112,078
Social Services	641,000	683,264	544,478	138,786
Bus Services	8,988,078	9,101,328	8,705,713	395,615
Administration	9,100,751	8,879,898		8,879,898
Total Disbursements	<u>21,498,829</u>	<u>21,498,829</u>	<u>11,972,452</u>	<u>9,526,377</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,623,829)</u>	<u>(7,623,829)</u>	<u>1,960,464</u>	<u>9,584,293</u>
Net Change in Fund Balance	(7,623,829)	(7,623,829)	1,960,464	9,584,293
Fund Balance - Beginning	<u>7,623,829</u>	<u>7,623,829</u>	<u>8,796,612</u>	<u>1,172,783</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,757,076</u>	<u>\$ 10,757,076</u>

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

	DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive Negative
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 560,000	\$ 560,000	\$ 827,368	\$ 267,368
Charges for Services	4,316,800	4,316,800	4,821,763	504,963
Miscellaneous	502,739	502,739		(502,739)
Total Receipts	5,379,539	5,379,539	5,649,131	269,592
DISBURSEMENTS				
Protection to Persons and Property	13,362,010	13,466,522	5,231,930	8,234,592
Debt Service	1,142,588	1,142,588	621,377	521,211
Administration	2,204,223	2,099,711	1,086,655	1,013,056
Total Disbursements	16,708,821	16,708,821	6,939,962	9,768,859
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(11,329,282)	(11,329,282)	(1,290,831)	10,038,451
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	10,000,000	10,000,000	5,600,000	(4,400,000)
Total Other Adjustments to Cash (Uses)	10,000,000	10,000,000	5,600,000	(4,400,000)
Net Change in Fund Balance	(1,329,282)	(1,329,282)	4,309,169	5,638,451
Fund Balance - Beginning	1,329,282	1,329,282	512,979	(816,303)
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,822,148	\$ 4,822,148

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

CAPITAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 50,000	\$ 50,000	\$ 75,603	\$ 25,603
Total Receipts	50,000	50,000	75,603	25,603
DISBURSEMENTS				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	50,000	50,000	75,603	25,603
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(8,087,563)	(8,087,563)		8,087,563
Total Other Adjustments to Cash (Uses)	(8,087,563)	(8,087,563)		8,087,563
Net Change in Fund Balance	(8,037,563)	(8,037,563)	75,603	8,113,166
Fund Balance - Beginning	8,037,563	8,037,563	8,045,601	8,038
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,121,204	\$ 8,121,204

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

June 30, 2018

Note 1. Budgetary Information

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

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

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

KENTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 22,222,798	\$ 1,353,323	\$	\$ 23,576,121
Construction In Progress	2,650,161	10,315,153	978,142	11,987,172
Buildings	115,126,588			115,126,588
Land and Building Improvements	7,029,683			7,029,683
Vehicles and Equipment	16,610,943	1,269,794	657,243	17,223,494
Infrastructure	14,673,027	1,842,287		16,515,314
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 178,313,200</u>	<u>\$ 14,780,557</u>	<u>\$ 1,635,385</u>	<u>\$ 191,458,372</u>

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

June 30, 2018

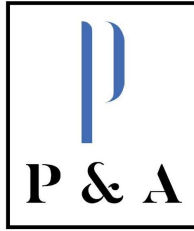
Note 1. Capital Assets

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

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

**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, 2018 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 December 5, 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.

Compliance And Other Matters

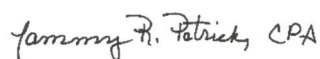
As part of obtaining reasonable assurance about whether the Kenton County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

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)

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Tammy R. Patrick, CPA".

Tammy R. Patrick, CPA
Patrick & Associates, LLC

December 5, 2019