

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

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



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

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable David Johnston, Ohio County Judge/Executive  
Members of the Ohio 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 Ohio County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Ohio 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 Ohio 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 Ohio 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 Ohio 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 David Johnston, Ohio County Judge/Executive  
Members of the Ohio County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Ohio 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 Ohio County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Ohio County Detention Center Lacks Adequate Segregation Of Duties
- 2017-002 The Ohio County Fiscal Court Lacks Adequate Controls Over Occupational And Net Profit Taxes

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 15, 2018

**OHIO COUNTY OFFICIALS**  
**For The Year Ended June 30, 2017**

**Fiscal Court Members:**

David Johnston	County Judge/Executive
Sam Small	Magistrate
Jason Bullock	Magistrate
Joe Barnes	Magistrate
Larry Keown	Magistrate
Larry Morphew	Magistrate

**Other Elected Officials:**

Justin Keown	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
Shannon Kirtley	Circuit Court Clerk
Tracy Beatty	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner (July 1, 2016 through September 15, 2016)
Jerry Bevil	Coroner (September 16, 2016 through June 30, 2017)

**Appointed Personnel:**

Anne Melton	County Treasurer
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**OHIO COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,171,389	\$	\$
Licenses and Permits	105,098		
Intergovernmental	2,044,709	2,602,546	1,441,552
Charges for Services	232,774		
Miscellaneous	704,798	432,248	
Interest	6,958	2,910	1,441
Total Receipts	<u>7,265,726</u>	<u>3,037,704</u>	<u>1,442,993</u>
<b>DISBURSEMENTS</b>			
General Government	3,904,666		162,981
Protection to Persons and Property	1,601,521		339,785
General Health and Sanitation	203,850		
Social Services	297,557		1,009
Recreation and Culture	407,241		23,751
Roads		1,934,586	556,601
Airports	27,000		1,047
Debt Service	235,818	484,594	44,260
Capital Projects		206,144	289,598
Administration	392,440	435,650	
Total Disbursements	<u>7,070,093</u>	<u>3,060,974</u>	<u>1,419,032</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>195,633</u>	<u>(23,270)</u>	<u>23,961</u>
<b>Other Adjustments to Cash (Uses)</b>			
Borrowed Money		147,305	
Transfers From Other Funds		49,228	
Transfers To Other Funds	(49,228)		
Total Other Adjustments to Cash (Uses)	<u>(49,228)</u>	<u>196,533</u>	
Net Change in Fund Balance	146,405	173,263	23,961
Fund Balance - Beginning (Restated)	<u>1,924,814</u>	<u>431,376</u>	<u>535,492</u>
Fund Balance - Ending	<u>\$ 2,071,219</u>	<u>\$ 604,639</u>	<u>\$ 559,453</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,175,833	\$ 650,859	\$ 636,345
Plus: Deposits In Transit	54,976	100	
Less: Outstanding Checks	(159,590)	(46,320)	(76,892)
Fund Balance - Ending	<u>\$ 2,071,219</u>	<u>\$ 604,639</u>	<u>\$ 559,453</u>

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

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

<b>Budgeted Funds</b>				
<b>Federal/ State Grants Fund</b>	<b>Forest Fire Fund</b>	<b>Landfill Fund</b>	<b>Ohio County Economic Development Alliance Fund</b>	<b>Waterline Fund</b>
\$	\$ 6,090	\$	\$	\$
25,000		89,794		89,793
	15	400	68,519	97
<u>25,000</u>	<u>6,105</u>	<u>90,194</u>	<u>68,647</u>	<u>89,890</u>
			165,425	
	4,985	140,242		84,089
	<u>4,985</u>	<u>140,242</u>	<u>165,425</u>	<u>84,089</u>
25,000	1,120	(50,048)	(96,778)	5,801
(25,000)			25,000	
<u>(25,000)</u>			<u>25,000</u>	
	1,120	(50,048)	(71,778)	5,801
	5,473	161,471	156,703	24,030
<u>\$ 0</u>	<u>\$ 6,593</u>	<u>\$ 111,423</u>	<u>\$ 84,925</u>	<u>\$ 29,831</u>
\$ 49,000	\$ 6,593	\$ 111,423	\$ 84,925	\$ 36,731
(49,000)				(6,900)
<u>\$ 0</u>	<u>\$ 6,593</u>	<u>\$ 111,423</u>	<u>\$ 84,925</u>	<u>\$ 29,831</u>

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

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

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>		
Taxes	\$	\$ 4,177,479
Licenses and Permits		105,098
Intergovernmental		6,113,807
Charges for Services		412,361
Miscellaneous	22,842	1,228,407
Interest	2	11,951
Total Receipts	<u>22,844</u>	<u>12,049,103</u>
<b>DISBURSEMENTS</b>		
General Government		4,233,072
Protection to Persons and Property		1,946,291
General Health and Sanitation		428,181
Social Services		298,566
Recreation and Culture	21,164	452,156
Roads		2,491,187
Airports		28,047
Debt Service		764,672
Capital Projects		495,742
Administration		828,090
Total Disbursements	<u>21,164</u>	<u>11,966,004</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,680</u>	<u>83,099</u>
<b>Other Adjustments to Cash (Uses)</b>		
Borrowed Money		147,305
Transfers From Other Funds		74,228
Transfers To Other Funds		(74,228)
Total Other Adjustments to Cash (Uses)		<u>147,305</u>
Net Change in Fund Balance	1,680	230,404
Fund Balance - Beginning (Restated)	<u>19,671</u>	<u>3,259,030</u>
Fund Balance - Ending	<u>\$ 21,351</u>	<u>\$ 3,489,434</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 21,351	\$ 3,773,060
Plus: Deposits In Transit		55,076
Less: Outstanding Checks		(338,702)
Fund Balance - Ending	<u>\$ 21,351</u>	<u>\$ 3,489,434</u>

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

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**OHIO COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

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

**A. Reporting Entity**

The financial statement of Ohio County includes all budgeted and unbudgeted funds under the control of the Ohio 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. In addition, it accounts for the receipts and disbursements of the jail.

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.

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

**OHIO 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)**

Federal/State Grants Fund - The primary purpose of this fund is to account for federal and state grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Forest Fire Fund - The primary purpose of this fund is to account for forest fire taxes received from the Ohio County Sheriff's Department and disbursements related to fire protection.

Landfill Fund - The primary purpose of this fund is to account for landfill receipts and landfill project disbursements.

Ohio County Economic Development Alliance Fund - The primary purpose of this fund is to promote the growth and development of Ohio County's economic base, assist in the retention and expansion of existing businesses, and vigorously seek out new businesses for Ohio County. Activity of this fund includes low interest rate revolving loans to businesses.

Waterline Fund - The primary purpose of this fund is to account for waterline project disbursements. The primary purpose of receipts for this fund is landfill fees.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of 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.

**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.

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

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

**E. Ohio County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**H. Tax Abatement**

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

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



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

**Note 2. Deposits**

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, 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 2017.

	General Fund	Federal/State Grants Fund	Total Transfers In
Road Fund	\$ 49,228	\$	\$ 49,228
Ohio County Economic Development Alliance Fund		25,000	25,000
Total Transfers Out	<u>\$ 49,228</u>	<u>\$ 25,000</u>	<u>\$ 74,228</u>

Reason for transfers:

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

**Note 4. Receivables**

**A. Kelly Gilstrap (Subway)**

The county loaned \$20,000 to Kelly Gilstrap (Subway) on March 9, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate an 84 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 and 2.81 percent, the monthly payments increased starting March 1, 2016 and February 1, 2017, respectively. Records indicate that Kelly Gilstrap (Subway) is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$13,915.

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

**Note 4. Receivables (Continued)**

**B. J&R Bluegrass BBQ**

The county loaned \$45,000 to J&R Bluegrass BBQ on June 26, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 and 2.81 percent, the monthly payments increased starting March 1, 2016 and February 1, 2017, respectively. Records indicate that J&R Bluegrass BBQ is in substantial compliance with this requirement. The loan balance was paid off in amount of \$40,585 on May 8, 2017. As of June 30, 2017, the principal balance due was \$0.

**C. Ross Construction**

The county loaned \$50,000 to Ross Construction on November 3, 2014 for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 and 2.81 percent the monthly payments increased starting March 1, 2016 and February 1, 2017, respectively. Records indicate that Ross Construction is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$42,445.

**D. Stewart and Mills**

The county loaned \$75,000 to Stewart and Mills on June 11, 2015, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at 2.44 percent interest. Due to an increase in interest rates to 2.63 and 2.81 percent, the monthly payments increased starting March 1, 2016 and February 1, 2017, respectively. Records indicate that Stewart and Mills is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$66,024.

**E. Kelsey Johnson (Bluegrass Family Dentistry)**

The county loaned \$50,000 to Kelsey Johnson (Bluegrass Family Dentistry) on April 27, 2017, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a 60 month repayment schedule at initial interest rate of 2.81 percent. Records indicate that Kelsey Johnson (Bluegrass Family Dentistry) company is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$49,223.

**F. Luke Burden (Cinema 33)**

The county loaned \$50,000 to Luke Burden (Cinema 33) on March 21, 2016, for the purpose of financing certain real estate. Terms of the agreement stipulate a 180 month repayment schedule at initial interest rate of 2.63. Due to an increase in interest rate to 2.81 percent, the monthly payments increased starting February 1, 2017. Records indicate that Luke Burden (Cinema 33) is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$46,557.

**G. Brianne Milligan (Countryside Family Care, PLLC)**

The county loaned \$50,000 to Brianne Milligan (Countryside Family Care, PLLC) on April 27, 2017, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a 60 month repayment schedule at initial interest rate of 2.81 percent. Records indicate that Brianne Milligan (Countryside Family Care, PLLC) is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$48,444.

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

**Note 4. Receivables (Continued)**

**H. Tiffany Webster (Permissions Boutique)**

The county loaned \$15,000 to Tiffany Webster (Permissions Boutique) on April 26, 2017, for the purpose of providing working capital at the borrower's business. Terms of the agreement stipulate a 60 month repayment schedule at initial interest rate of 2.81 percent. Records indicate that Tiffany Webster (Permissions Boutique) is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$14,033.

**I. Vance Properties**

The county loaned \$50,000 to Vance Properties on September 15, 2016, for the purpose of purchasing and renovating property. Terms of the agreement stipulate a 180 month repayment schedule at initial interest rate of 2.44 percent. Due to an increase in interest rates to 2.63 and 2.81 percent, the monthly payments increased starting March 1, 2016 and February 1, 2017, respectively. Records indicate that Vance Properties is in substantial compliance with this requirement. As of June 30, 2017, the principal balance due was \$47,953.

As of June 30, 2017, total receivables due the county were \$328,594.

**Note 5. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held for Resale:				
Vehicles	\$ 289,027	\$ 147,305	\$ 436,332	\$
Total	<u>\$ 289,027</u>	<u>\$ 147,305</u>	<u>\$ 436,332</u>	<u>\$ 0</u>

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

**Note 6. Financing Obligations**

**A. Courthouse Renovations**

On November 18, 2005, the fiscal court entered into an installment loan agreement with a bank in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of 20 years with principal and interest payments due monthly. The principal balance at June 30, 2017, was \$868,639. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 85,207	\$ 41,405
2019	89,556	37,056
2020	94,039	32,573
2021	98,926	27,685
2022	103,975	22,636
2023-2026	396,936	35,655
Totals	<u>\$ 868,639</u>	<u>\$ 197,010</u>

**B. Kentucky Association of Counties Leasing Trust - County Park Land**

On January 14, 2008, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used as a park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2017, was \$119,672. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 18,542	\$ 4,967
2019	19,712	4,162
2020	20,956	3,310
2021	22,280	2,399
2022	23,685	1,434
2023	14,497	370
Totals	<u>\$ 119,672</u>	<u>\$ 16,642</u>

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

**Note 6. Financing Obligations (Continued)**

**C. Kentucky Association of Counties Leasing Trust - EMS Building**

On August 5, 2009, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for an EMS building. The interest rate is variable. Principal and interest payments are due on the 20th of each month until the termination date of August 20, 2017. The principal balance at June 30, 2017, was \$7,277. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 7,277	\$ 88
Totals	\$ 7,277	\$ 88

**D. Green River Area Development District - Dump Truck, Loader, and Backhoe/Loader**

On August 5, 2009, the fiscal court entered into a financing agreement with the Green River Area Development District in the amount of \$250,000 for the purpose of purchasing a dump truck, loader, and backhoe/loader. The interest rate is variable. Principal and interest payments are due on the first day of each month until the termination date of April 1, 2022. The principal balance at June 30, 2017, was \$177,335. Future debt service requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 34,743	\$ 4,537
2019	35,732	3,549
2020	36,749	2,532
2021	37,795	1,486
2022	32,316	418
Totals	\$ 177,335	\$ 12,522

**E. Equipment**

On June 1, 2016, the fiscal court entered into a promissory note with a bank in the amount of \$85,847 for the purpose of purchasing equipment. The interest rate is 3.25 percent. The maturity date was June 30, 2016. This promissory note was refinanced with a maturity date of June 30, 2017. The principal balance at June 30, 2017, was \$0.

**F. Kentucky Association of Counties Leasing Trust #29 - Mack Truck**

On September 29, 2015, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$145,805 for the purpose of purchasing a Mack Truck. The interest rate is 3.25 percent with payments due on the 20th of each month with a balloon principal payment due on March 20, 2017. The principal balance at June 30, 2017, was \$0.

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

**Note 6. Financing Obligations (Continued)**

**G. Kentucky Association of Counties Leasing Trust #30 - Mack Truck**

On June 15, 2016, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$143,222 for the purpose of purchasing a Mack Truck. The interest rate is 3.25 percent with payments due on the 20th of each month with a balloon principal payment due on December 20, 2017. The fiscal court paid the principal payment early; therefore, the principal balance at June 30, 2017, was \$0.

**H. Kentucky Association of Counties Leasing Trust #31 - Mack Truck**

On September 30, 2016, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$147,305 for the purpose of purchasing a Mack Truck. The interest rate is 3.25 percent with payments due on the 20th of each month with a balloon principal payment due on March 20, 2018. The fiscal court paid the principal payment early; therefore, the principal balance at June 30, 2017, was \$0.

**I. Changes In Financing Obligations**

Financing obligations activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 1,722,854	\$ 147,305	\$ 697,236	\$ 1,172,923	\$ 145,769
Total Financing Obligations	<u>\$ 1,722,854</u>	<u>\$ 147,305</u>	<u>\$ 697,236</u>	<u>\$ 1,172,923</u>	<u>\$ 145,769</u>

**Note 7. 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 8. Commitment Debt**

In 2009, the Ohio County Fiscal Court, entered into a financial obligation agreement with the Ohio County Water District to provide semi-annual payments of principal, interest, and fees up to \$3,000,000 on a Kentucky Infrastructure Authority (KIA) loan, the water district incurred for a construction of a new water treatment plant and related facilities. The agreement authorized and provided for a fiscal court to have a pre-payment privilege of all or part of the water district KIA loan obligation made by the fiscal court without a pre-payment penalty. A pre-payment in the amount of \$550,000 was made on the loan on April 1, 2009. This payment reduced the loan payment obligation by \$550,000, thereby leaving only a maximum loan payment obligation of \$2,450,000 in principal along with the interest and loan servicing fee. The fiscal court's financial obligation shall continue until the KIA loan has been paid in full. The fiscal court agrees to reserve sufficient funds each year in its annual budget to provide for such payments. The fiscal court's obligation for fiscal year 2017 was \$140,242.

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

**Note 9. 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 \$506,214, FY 2016 was \$478,781, and FY 2017 was \$522,528.

Nonhazardous

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

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

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

Health Insurance Coverage

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

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

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

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

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

**Note 9. Employee Retirement System (Continued)**

Health Insurance Coverage (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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report 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 10. Deferred Compensation**

On November 25, 1985, the Ohio 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 11. Health Reimbursement Account/Flexible Spending Account**

The Ohio County Fiscal Court established a flexible spending account during fiscal year 2010 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$500-\$2,500 each year, depending on the plan chosen, to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.



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

**Note 12. Insurance**

For the fiscal year ended June 30, 2017, the Ohio County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 13. Landfill**

The Ohio County Fiscal Court holds the permit for the landfill, known as the Ohio County Balefill. The fiscal court owns the land and all capital improvements made to the land. A private company won the bid on the landfill franchise and operates and maintains the landfill. The liability for closure and post-closure cost lies with the company for 30 years after the closure of the landfill.

**Note 14. Subsequent Events**

**A. Kentucky Association of Counties Leasing Trust #32 - Mack Trucks**

On June 29, 2017, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$299,456 for the purpose of purchasing two Mack trucks receiving the financing obligation proceeds on July 2, 2017. The interest rate is 3.22 percent with payments due on the 20th of each month with a balloon principal payment due on February 20, 2018.

**B. Chip and Seal Machine**

On August 15, 2017, the fiscal court entered into a loan with the bank in the amount of \$200,000 for the purpose of purchasing a chip and seal machine for road department. The interest rate is 2.74 percent with payments due quarterly with a balloon principal payment due on June 20, 2018.

**Note 15. Related Party Transactions**

The Ohio County Fiscal Court purchased goods totaling \$48 from a company owned by the county treasurer's brother. The Ohio County Fiscal Court also paid \$3,035 to a company owned by a magistrate's father-in-law who is also the county coroner.

**Note 16. Conduit Debt**

From time to time, the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Ohio 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.

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

**Note 17. Tax Abatement**

The occupational tax license fee was abated under the authority of the Kentucky Industrial Revitalization Act. Armstrong Coal Company, Inc. (the company) was eligible to receive this tax abatement as a result of its commitment to engage in raw production of at least three million tons of coal mined from the project for a reasonable period of time preceding approval by the Kentucky Economic Development Finance Authority of the project in Ohio County, Kentucky. The taxes were abated by allowing the company for a period not more than ten years, and on a quarterly basis, to retain and pay as directed by the Authority, 1 percent of the gross wages that would have been subject to the county's occupational license fee in lieu of paying the occupational license fee, subject to adjustments equal to the change, if any, in the county occupational fee. Abatement of taxes could have been suspended if the company did not employ a minimum of 500 full-time employees engaged in coal mining and processing operations at facilities located and operating within the Commonwealth on a permanent basis for a reasonable period of time preceding approval of the project. For the fiscal year ended June 30, 2017, the Ohio County Fiscal Court abated occupational taxes totaling \$351,822. As part of the tax abatement agreement in Ohio County Ordinance 2011-11, the Ohio County Fiscal Court committed to use these funds to support various county organizations.

**Note 18. Prior Period Adjustments**

The beginning fund balance was restated for the following:

**General Fund:**

Ending Cash Balance Prior Year	\$	1,924,730
To adjust for prior year voided checks		<u>84</u>
Restated Ending Cash Balance Prior Year	\$	<u><u>1,924,814</u></u>

**Road Fund:**

Ending Cash Balance Prior Year	\$	430,184
To adjust for prior year voided checks		<u>1,192</u>
Restated Ending Cash Balance Prior Year	\$	<u><u>431,376</u></u>

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

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

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

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

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes	\$ 3,957,800	\$ 3,957,800	\$ 4,171,389	\$ 213,589
Licenses and Permits	85,600	85,600	105,098	19,498
Intergovernmental	2,323,516	2,327,516	2,044,709	(282,807)
Charges for Services	219,750	219,750	232,774	13,024
Miscellaneous	897,656	900,656	704,798	(195,858)
Interest	10,925	10,925	6,958	(3,967)
Total Receipts	<u>7,495,247</u>	<u>7,502,247</u>	<u>7,265,726</u>	<u>(236,521)</u>
<b>DISBURSEMENTS</b>				
General Government	4,021,730	4,821,645	3,904,666	916,979
Protection to Persons and Property	1,902,498	1,842,273	1,601,521	240,752
General Health and Sanitation	232,621	248,111	203,850	44,261
Social Services	308,860	326,040	297,557	28,483
Recreation and Culture	484,796	499,775	407,241	92,534
Airports	12,000	27,000	27,000	
Debt Service	150,000	236,041	235,818	223
Administration	1,282,742	1,376,864	392,440	984,424
Total Disbursements	<u>8,395,247</u>	<u>9,377,749</u>	<u>7,070,093</u>	<u>2,307,656</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(900,000)</u>	<u>(1,875,502)</u>	<u>195,633</u>	<u>2,071,135</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(49,228)	(49,228)
Total Other Adjustments to Cash (Uses)			<u>(49,228)</u>	<u>(49,228)</u>
Net Change in Fund Balance	(900,000)	(1,875,502)	146,405	2,021,907
Fund Balance - Beginning (Restated)	900,000	1,924,730	1,924,814	84
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 49,228</u>	<u>\$ 2,071,219</u>	<u>\$ 2,021,991</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,165,348	\$ 2,465,348	\$ 2,602,546	\$ 137,198
Miscellaneous	45,000	45,000	432,248	387,248
Interest	4,000	4,000	2,910	(1,090)
Total Receipts	<u>2,214,348</u>	<u>2,514,348</u>	<u>3,037,704</u>	<u>523,356</u>
<b>DISBURSEMENTS</b>				
Roads	1,580,197	2,295,790	1,934,586	361,204
Debt Service	714,800	501,132	484,594	16,538
Capital Projects	120,000	206,144	206,144	
Administration	724,351	640,694	435,650	205,044
Total Disbursements	<u>3,139,348</u>	<u>3,643,760</u>	<u>3,060,974</u>	<u>582,786</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(925,000)</u>	<u>(1,129,412)</u>	<u>(23,270)</u>	<u>1,106,142</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			49,228	49,228
Transfers To Other Funds				
Borrowed Money	200,000	200,000	147,305	(52,695)
Governmental Leasing Account Receipts	450,000	450,000		(450,000)
Total Other Adjustments to Cash (Uses)	<u>650,000</u>	<u>650,000</u>	<u>196,533</u>	<u>(453,467)</u>
Net Change in Fund Balance	(275,000)	(479,412)	173,263	652,675
Fund Balance - Beginning (Restated)	<u>275,000</u>	<u>430,184</u>	<u>431,376</u>	<u>1,192</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (49,228)</u>	<u>\$ 604,639</u>	<u>\$ 653,867</u>

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	<b>RECEIPTS</b>			
Intergovernmental	\$ 2,335,000	\$ 2,335,000	\$ 1,441,552	\$ (893,448)
Interest	750	750	1,441	691
Total Receipts	<u>2,335,750</u>	<u>2,335,750</u>	<u>1,442,993</u>	<u>(892,757)</u>
<b>DISBURSEMENTS</b>				
General Government	90,000	593,372	162,981	430,391
Protection to Persons and Property	340,996	346,512	339,785	6,727
Social Services	5,000	5,000	1,009	3,991
Recreation and Culture	27,500	27,500	23,751	3,749
Roads	735,272	735,272	556,601	178,671
Airports	2,900	2,900	1,047	1,853
Debt Service	44,300	44,300	44,260	40
Capital Projects	1,000,000	1,000,000	289,598	710,402
Administration	389,782	116,386		116,386
Total Disbursements	<u>2,635,750</u>	<u>2,871,242</u>	<u>1,419,032</u>	<u>1,452,210</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(300,000)</u>	<u>(535,492)</u>	<u>23,961</u>	<u>559,453</u>
Net Change in Fund Balance	(300,000)	(535,492)	23,961	559,453
Fund Balance - Beginning	<u>300,000</u>	<u>535,492</u>	<u>535,492</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 559,453</u>	<u>\$ 559,453</u>

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

	<b>FEDERAL/STATE GRANTS FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 0	\$ 0	\$ 25,000	\$ 25,000
Total Receipts			<u>25,000</u>	<u>25,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>25,000</u>	<u>25,000</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(25,000)	(25,000)
Total Other Adjustments to Cash (Uses)			<u>(25,000)</u>	<u>(25,000)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>



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

	<b>FOREST FIRE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 6,000	\$ 6,000	\$ 6,090	\$ 90
Interest	50	50	15	(35)
Total Receipts	<u>6,050</u>	<u>6,050</u>	<u>6,105</u>	<u>55</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	6,000	6,000	4,985	1,015
Administration	50	5,524		5,524
Total Disbursements	<u>6,050</u>	<u>11,524</u>	<u>4,985</u>	<u>6,539</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(5,474)</u>	<u>1,120</u>	<u>6,594</u>
Net Change in Fund Balance		(5,474)	1,120	6,594
Fund Balance - Beginning		<u>5,474</u>	<u>5,473</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,593</u>	<u>\$ 6,593</u>

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

	<b>LANDFILL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Charges for Services	\$ 70,000	\$ 70,000	\$ 89,794	\$ 19,794
Interest	500	500	400	(100)
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>90,194</u>	<u>19,694</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	150,000	150,000	140,242	9,758
Administration	70,500	152,472	<u>140,242</u>	<u>152,472</u>
Total Disbursements	<u>220,500</u>	<u>302,472</u>	<u>140,242</u>	<u>162,230</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(231,972)</u>	<u>(50,048)</u>	<u>181,924</u>
Net Change in Fund Balance	(150,000)	(231,972)	(50,048)	181,924
Fund Balance - Beginning	<u>150,000</u>	<u>231,972</u>	<u>161,471</u>	<u>(70,501)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,423</u>	<u>\$ 111,423</u>

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

**OHIO COUNTY ECONOMIC DEVELOPMENT ALLIANCE FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 16,000	\$ 16,000	\$ 68,519	\$ 52,519
Interest			128	128
Total Receipts	<u>16,000</u>	<u>16,000</u>	<u>68,647</u>	<u>52,647</u>
<b>DISBURSEMENTS</b>				
General Government	150,000	165,425	165,425	
Administration	16,000	107,278		107,278
Total Disbursements	<u>166,000</u>	<u>272,703</u>	<u>165,425</u>	<u>107,278</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(256,703)</u>	<u>(96,778)</u>	<u>159,925</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			25,000	25,000
Total Other Adjustments to Cash (Uses)			<u>25,000</u>	<u>25,000</u>
Net Change in Fund Balance	(150,000)	(256,703)	(71,778)	184,925
Fund Balance - Beginning	<u>150,000</u>	<u>256,703</u>	<u>156,703</u>	<u>(100,000)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,925</u>	<u>\$ 84,925</u>

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

	<b>WATERLINE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 70,000	\$ 70,000	\$ 89,793	\$ 19,793
Interest	500	500	97	(403)
Total Receipts	<u>70,500</u>	<u>70,500</u>	<u>89,890</u>	<u>19,390</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	70,500	94,530	84,089	10,441
Total Disbursements	<u>70,500</u>	<u>94,530</u>	<u>84,089</u>	<u>10,441</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(24,030)</u>	<u>5,801</u>	<u>29,831</u>
Net Change in Fund Balance		(24,030)	5,801	29,831
Fund Balance - Beginning		<u>24,030</u>	<u>24,030</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,831</u>	<u>\$ 29,831</u>

**OHIO 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.

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

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

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**OHIO 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:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land	\$ 1,327,976	\$	\$	\$ 1,327,976
Construction in Progress		48,381		48,381
Land Improvements	56,400			56,400
Buildings and Building Improvements	6,155,456	166,709		6,322,165
Equipment*	2,422,580	124,126	283,040	2,263,666
Vehicles*	2,011,937	217,077	113,799	2,115,215
Infrastructure	6,732,563	1,034,107		7,766,670
 Total Capital Assets	 \$ 18,706,912	 \$ 1,590,400	 \$ 396,839	 \$ 19,900,473

**OHIO 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.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 25,000	10-75
Equipment	\$ 20,000	3-25
Vehicles	\$ 20,000	3-25
Infrastructure	\$ 50,000	10-50

**Note 2. Prior Period Adjustments**

The beginning balances reported on the Schedule of Capital Assets for equipment and vehicles have been restated. Equipment and vehicles decreased by \$187,604 and \$132,080, respectively, due to prior years changes in the capitalization threshold.

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

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Johnston, Ohio County Judge/Executive  
Members of the Ohio 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 Ohio County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Ohio County Fiscal Court's financial statement and have issued our report thereon dated May 15, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001 and 2017-002 to be material weaknesses.



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Ohio 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*.

**Views of Responsible Officials and Planned Corrective Action**

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

**Purpose of this Report**

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

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

May 15, 2018

**OHIO COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**OHIO COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2017-001 The Ohio County Detention Center Lacks Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2016-001. The Ohio County Detention Center lacks adequate segregation of duties over jail commissary receipts and disbursements. The jailer prepares deposits, prepares checkout sheets for inmate fees collected, handles cash collected from inmates, and approves and signs commissary checks. According to the jailer, this lack of segregation of duties is a result of a limited budget, which restricts the number of qualified employees the Ohio County Detention Center can hire for accounting functions. Without the proper internal controls, the jailer creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, checkout sheet preparation, collection of cash, and preparation of checks be segregated in order to lower the risk of undetected misappropriation of assets and inaccurate financial reporting. We recommend the Ohio County Detention Center implement segregation of duties over receipts and disbursements of the jail commissary. If the duties cannot be segregated due to a limited number of staff or budget, strong oversight should be provided over the employee responsible for the duties. In addition, any compensating controls performed should be documented.

Views of Responsible Official and Planned Corrective Action:

*County Jailer's Response: Jailer Gerry Rip Wright has implemented segregation of duties over Jail commissary receipts and disbursements by giving a deputy the ability to sign commissary checks, having the deputy review and sign daily deposits, and having the deputy review and sign check out sheets for inmate fees collected.*

Auditor's Reply: These controls were not implemented until after the fiscal year ended June 30, 2017.

2017-002 The Ohio County Fiscal Court Lacks Adequate Controls Over Occupational And Net Profit Taxes

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This is a repeat finding and was included in the prior year audit report as finding 2016-005. The following internal control deficiencies were noted:

- Penalty waivers were not approved by anyone other than the occupational tax office. One business tested did not submit their second quarter occupational tax return in a timely manner. The occupational tax administrator (OTA) was not aware of this until she (the OTA) did the annual reconciliation and a penalty of \$3,583 was waived. According to the OTA, the penalty was waived since it was the business' first time not submitting a return in a timely manner. The OTA also said some penalties were being applied to delinquent tax bills, but only as the OTA office deems necessary.
- Net profit tax returns were not maintained properly. One business tested did not file a net profit tax return at all. The OTA stated that she (the OTA) has attempted to reach out to this business several times and is getting ready to turn the business over as delinquent to the county attorney.
- Tax credits applied did not have documented review by another individual. Two businesses tested applied carryover credit balances of \$4,833 and \$4,425. Balances existed with these businesses for more than one taxable year.

According to the occupational tax administrator, this lack of internal controls is a result of a limited budget, which restricts the number of qualified employees the fiscal court can hire within the occupational tax office. Due to the fiscal court not specifically stating in the occupational tax ordinance any written procedures for waiving penalties, the occupational tax office understood it is at their discretion.

**OHIO COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2017  
(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2017-002 The Ohio County Fiscal Court Lacks Adequate Controls Over Occupational And Net Profit Taxes  
(Continued)

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Without the proper internal controls, the fiscal court creates the opportunity for undetected misappropriation of assets and inaccurate financial reporting. Good internal controls dictate that accurate and sufficient records be maintained in order to ensure all fees are collected by the county.

The Ohio County Occupational Tax Ordinance 2009-2 Section 10 (3) states, “[t]he authority to refund or credit overpayments of taxes collected pursuant to this ordinance is vested exclusively in the county.” Section 12 (1) states, “[a] business entity subject to tax on net profits may be subject to a penalty equal to five percent (5%) of the tax due for each calendar month or fraction thereof if the business entity (a) fails to file any return or report on or before the due date prescribed for filing or as extended by the county. The total penalty levied pursuant to this subsection shall not exceed twenty-five percent (25%) of the total tax due; however, the penalty shall not be less than twenty-five dollars (\$25). Section (3) states, “[i]n addition to the penalties prescribed in this section, any business entity or employer shall pay, as part of the tax, an amount equal to twelve percent (12%) per annum simple interest on the tax shown due, but not previously paid, from the time the tax was due until the tax is paid to the county.”

We recommend written procedures be developed for waiving penalties. We also recommend someone independent of the tax collections process review taxpayer account balances to ensure credits are being applied correctly in future tax years and to ensure all businesses are filing tax returns in accordance with the county occupational tax ordinance.

Views of Responsible Official and Planned Corrective Action:

*County Judge Executive’s Response: Occupational Tax Administrator (OTA)*

1. *The Judge Executive has implemented a written policy concerning waivers of penalties. No penalty shall be waived without the written consent of the Judge Executive. The OTA shall submit all supporting documentation to the Judge before any penalties are waived. OTA shall attached documentation showing Judge Executive’s signature to each penalty waived.*
2. *The Judge Executive has implemented a written policy requiring an OCCTAX Quarterly delinquent report be submitted to his office or office he designates no later than the 20<sup>th</sup> of the month following each quarter ended.*
3. *The Judge Executive has implemented a written policy requiring an OCCTAX Net Profit delinquent report be submitted to his office or office he designates no later than June 30<sup>th</sup> of each year.*
4. *The Judge Executive has implemented a written policy requiring the OTA to submit to his office or office he designates a yearly report on all active accounts so they may be reviewed by someone independent of the tax collections process as required by KY State Auditors.*

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

**OHIO COUNTY FISCAL COURT**

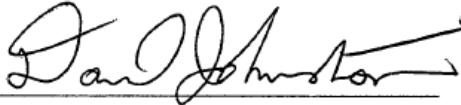
**For The Year Ended June 30, 2017**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
OHIO COUNTY FISCAL COURT

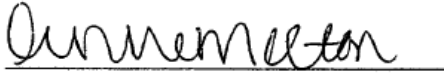
For The Fiscal Year Ended June 30, 2017

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



A handwritten signature in cursive script, appearing to read "Dan Johnston", written over a horizontal line.

County Judge/Executive



A handwritten signature in cursive script, appearing to read "J. M. Minton", written over a horizontal line.

County Treasurer