

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

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



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

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Dennis Harper, Allen County Judge/Executive

The Honorable Johnny Hobdy, Former Allen County Judge/Executive

Members of the Allen 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 Allen County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Allen 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.



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**Auditor’s Responsibility (Continued)**

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

**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 Allen 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 Allen County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Allen County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

**Other Matters**

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Allen County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and the Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky’s regulatory basis of accounting and budget laws.

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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2020, on our consideration of the Allen 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 Allen 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 finding:

2019-001 The Allen County Detention Center Does Not Have Segregation Of Duties Over The Jail Commissary Fund

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 28, 2020

**ALLEN COUNTY OFFICIALS**  
**For The Year Ended June 30, 2019**

**Fiscal Court Members:**

Johnny Hobdy (July 1, 2018 through December 31, 2018)	County Judge/Executive
Dennis Harper (January 7, 2019 through June 30, 2019)	County Judge/Executive
Dennis Harper (July 1, 2018 through January 6, 2019)	Magistrate
Todd Bransford (January 7, 2019 through June 30, 2019)	Magistrate
Ron Cook (July 1, 2018 through December 31, 2018)	Magistrate
Wendell Spears (January 7, 2019 through June 30, 2019)	Magistrate
Tony Wolfe	Magistrate
Rickey Cooksey	Magistrate
Roman Perry, Jr. (July 1, 2018 through December 13, 2018)	Magistrate
Tim Miller (January 14, 2019 through June 30, 2019)	Magistrate

**Other Elected Officials:**

Hallye Arterburn	County Attorney
Larry Piper	Jailer
Elaine Williams	County Clerk
Todd Calvert	Circuit Court Clerk
Jeff Cooke	Sheriff
Tracy Oliver	Property Valuation Administrator
Darren Davis	Coroner

**Appointed Personnel:**

Jessica Cline	County Treasurer
Allison Copas	Finance Officer



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

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

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

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

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 3,357,452	\$	\$	\$
In Lieu Tax Payments	82,414			
Excess Fees	85,364			
Licenses and Permits	14,876			
Intergovernmental	1,511,938	1,794,955	625,736	53,996
Charges for Services	109,405		50,407	
Miscellaneous	273,962	30,674	19,266	
Interest	1,248	1,370	90	40
Total Receipts	<u>5,436,659</u>	<u>1,826,999</u>	<u>695,499</u>	<u>54,036</u>
<b>DISBURSEMENTS</b>				
General Government	2,031,728			60,000
Protection to Persons and Property	744,677		1,254,822	
General Health and Sanitation	153,041			
Social Services	56,867			
Recreation and Culture	97,232			
Roads		1,746,641		
Debt Service	385,659		20,107	
Administration	1,244,639	154,449	322,227	
Total Disbursements	<u>4,713,843</u>	<u>1,901,090</u>	<u>1,597,156</u>	<u>60,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>722,816</u>	<u>(74,091)</u>	<u>(901,657)</u>	<u>(5,964)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	45,000			
Transfers From Other Funds	325,241		896,000	
Transfers To Other Funds	(1,106,642)	(225,241)		
Total Other Adjustments to Cash (Uses)	<u>(736,401)</u>	<u>(225,241)</u>	<u>896,000</u>	
Net Change in Fund Balance	(13,585)	(299,332)	(5,657)	(5,964)
Fund Balance - Beginning	362,316	733,348	65,214	21,483
Fund Balance - Ending	<u>\$ 348,731</u>	<u>\$ 434,016</u>	<u>\$ 59,557</u>	<u>\$ 15,519</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 436,233	\$ 439,394	\$ 72,789	\$ 15,519
Less: Outstanding Checks	(87,502)	(5,378)	(13,232)	
Fund Balance - Ending	<u>\$ 348,731</u>	<u>\$ 434,016</u>	<u>\$ 59,557</u>	<u>\$ 15,519</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
<u>Transfer Station and Recycling Center Fund</u>	<u>Special Reserve Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$ 3,357,452
				82,414
				85,364
1,500				16,376
4,000		993,166		4,983,791
599,891				759,703
19,852			114,074	457,828
52	691	612	136	4,239
<u>625,295</u>	<u>691</u>	<u>993,778</u>	<u>114,210</u>	<u>9,747,167</u>
				2,091,728
				1,999,499
829,131				982,172
				56,867
			87,039	184,271
				1,746,641
		991,166		1,396,932
78,202		1,725		1,801,242
<u>907,333</u>		<u>992,891</u>	<u>87,039</u>	<u>10,259,352</u>
(282,038)	691	887	27,171	(512,185)
	150,000			195,000
275,000	120,642			1,616,883
	(285,000)			(1,616,883)
<u>275,000</u>	<u>(14,358)</u>			<u>195,000</u>
(7,038)	(13,667)	887	27,171	(317,185)
46,169	513,787	10,509	77,853	1,830,679
<u>\$ 39,131</u>	<u>\$ 500,120</u>	<u>\$ 11,396</u>	<u>\$ 105,024</u>	<u>\$ 1,513,494</u>
\$ 40,389	\$ 500,120	\$ 11,396	\$ 105,024	\$ 1,620,864
(1,258)				(107,370)
<u>\$ 39,131</u>	<u>\$ 500,120</u>	<u>\$ 11,396</u>	<u>\$ 105,024</u>	<u>\$ 1,513,494</u>

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

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**ALLEN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

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

**A. Reporting Entity**

The financial statement of Allen County includes all budgeted and unbudgeted funds under the control of the Allen 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 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.

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

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

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

**Budgeted Funds (Continued)**

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

Transfer Station and Recycling Center Fund - The primary purpose of this fund is to account for receipts and disbursements associated with the operation of the transfer station and recycling center.

Special Reserve Fund - The primary purpose of this fund is to accumulate funds for specific projects. The primary source of receipts for this fund is transfers from the General Fund.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of the First Mortgage Revenue Bonds, Series 2010. These bonds were issued to build the Allen County Judicial Center. The primary source of receipts for this fund is rental proceeds from the Kentucky Administrative Office of the Courts that meets the debt payment requirements.

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

**D. Budgetary Information**

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

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

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

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

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.

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

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

**E. Allen County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Allen 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 Allen 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. Related Obligations and Jointly Governed Organization**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the Allen County Water District is considered a related organization of the Allen County Fiscal Court.

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

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

**H. Related Obligations and Jointly Governed Organization (Continued)**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants do not retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a jointly governed organization. Based on this criteria, the following are considered jointly governed organizations of the Allen County Fiscal Court:

Allen County-Scottsville Industrial Development Authority, Inc.  
 Scottsville-Allen County Recreation Board  
 Allen County Ambulance Service Taxing District  
 Scottsville-Allen County Planning Commission

**Note 2. Deposits**

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

**Custodial Credit Risk - Deposits**

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

**Note 3. Transfers**

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

	General Fund	Road Fund	Special Reserve Fund	Total Transfers In
General Fund	\$	\$ 225,241	\$ 100,000	\$ 325,241
Jail Fund	711,000		185,000	896,000
Transfer Station and Recycling Center Fund	275,000			275,000
Special Reserve Fund	120,642			120,642
<b>Total Transfers Out</b>	<b>\$ 1,106,642</b>	<b>\$ 225,241</b>	<b>\$ 285,000</b>	<b>\$ 1,616,883</b>



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

**Note 3. Transfers (Continued)**

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. 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 fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$4,573.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. General Obligation Refunding Lease, Series 2014**

On October 8, 2014, the Allen County Fiscal Court entered into a General Obligation Refunding Lease Agreement, Series 2014, with Huntington Bank for \$1,564,137 to advance refund the First Mortgage Revenue Refunding Bonds, Series 2004, issued by the Scottsville-Allen County Public Properties Corporation. Principal is payable annually on December 1 and interest is payable semiannually on December 1 and June 1. Interest rate is 2.35%. The maturity date of the lease is December 1, 2020. The lease is secured by the detention facility. In the event of default, the detention facility will be repossessed by the financial institution. As of June 30, 2019, the principal balance was \$555,476. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 269,455	\$ 9,888
2021	286,021	3,360
Totals	<u>\$ 555,476</u>	<u>\$ 13,248</u>

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**2. KADD 2010 Series B Lease For Remodel CASK Building**

On February 2, 2010, the Allen County Fiscal Court entered into a lease by participating in a KADD (Kentucky Area Development Districts) Financing Trust Lease issue in the amount of \$360,000. Principal is payable annually on January 20 beginning January 20, 2011, and interest is payable semiannually on January 20 and July 20 beginning July 20, 2010. The effective interest rate is four percent. The final installment is due on January 20, 2020. The proceeds were disbursed to Community Action of Southern Kentucky (CASK) to acquire, construct, and equip a building to serve low-income families. The fiscal court entered into a sublease with CASK simultaneously with the KADD lease. The sublease term and rental payments are the same as those of the fiscal court's lease with the KADD. The lease is secured by the CASK building. In the event of default, the CASK building will be repossessed by KADD. During fiscal year 2019, CASK paid debt service of \$44,638 on behalf of the Allen County Fiscal Court. Principal outstanding as of June 30, 2019, totaled \$45,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 45,000	\$ 2,737
Totals	\$ 45,000	\$ 2,737

**3. KACO Lease for Purchase of 2015 Deputy Vehicles**

On September 2, 2015, the Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of three deputy vehicles for the Allen County Sheriff's Department. The principal was \$80,000 at an interest rate of 3.70% for a period of four years, principal and interest payable monthly. The final installment is due on September 20, 2019. The lease is secured by the three deputy vehicles. In the event of default, the three deputy vehicles will be repossessed by KACoLT. Principal outstanding as of June 30, 2019, totaled \$5,288. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 5,288	\$ 33
Totals	\$ 5,288	\$ 33

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. KACO Lease for Purchase of 2018 Deputy Vehicles**

On November 14, 2017, the Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of three deputy vehicles for the Allen County Sheriff's Department. The principal was \$90,000 at an interest rate of 3.99% for a period of three years, principal and interest payable monthly. The final installment is due on November 20, 2020. The lease is secured by the three deputy vehicles. In the event of default, the three deputy vehicles will be repossessed by KACoLT. Principal outstanding as of June 30, 2019, totaled \$43,636. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 30,597	\$ 1,183
2021	13,039	130
Totals	<u>\$ 43,636</u>	<u>\$ 1,313</u>

**5. KACO Lease for Purchase of Coroner Vehicle**

On July 10, 2018, the Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a vehicle for the Allen County Coroner. The principal was \$45,000 at an interest rate of 4.28% for a period of four years, principal and interest payable monthly. The final installment is due on July 20, 2022. The lease is secured by the coroner vehicle. In the event of default, the coroner vehicle will be repossessed by KACoLT. Principal outstanding as of June 30, 2019, totaled \$35,374. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 11,013	\$ 1,299
2021	11,448	820
2022	11,900	321
2023	1,013	4
Totals	<u>\$ 35,374</u>	<u>\$ 2,444</u>

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**6. KACO Lease for Purchase of Body Scanner**

On November 1, 2018, the Allen County Fiscal Court entered into an agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a body scanner for the Allen County Detention Center. The principal was \$150,000 at an interest rate of 4.65% for a period of five years, principal and interest payable monthly. The Allen County Jailer has agreed to reimburse the fiscal court \$1,400 of the monthly payment from the jail commissary fund. The final installment is due on November 20, 2023. The lease is secured by the body scanner. In the event of default, the body scanner will be repossessed by KACoLT. Principal outstanding as of June 30, 2019, totaled \$134,757. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 28,140	\$ 6,156
2021	29,476	4,705
2022	30,875	3,186
2023	32,341	1,594
2024	<u>13,925</u>	<u>176</u>
Totals	<u>\$ 134,757</u>	<u>\$ 15,817</u>

**B. Other Debt**

**1. First Mortgage Revenue Bonds, Series 2010**

On July 27, 2010, the Allen County Public Properties Corporation issued \$14,480,000 of first mortgage revenue bonds, series 2010, for the construction of a new judicial center. The 2010 series bonds were issued at various interest rates from one percent to four percent. Principal is payable annually on August 1 and interest is payable semiannually on August 1 and February 1. The final maturity date of the 2010 series bonds is August 1, 2029. On June 25, 2019, the Allen County Public Properties Corporation voted to refinance the 2010 series bonds. See subsequent event note 10 for information about these bonds being called on August 1, 2020, for optional redemption for the bonds due in fiscal year 2022 through fiscal year 2030. A mortgage has been issued secured by the judicial center. In the event of default, the judicial center will be repossessed by the financial institution. The Allen County Public Properties Corporation has entered into an agreement to lease the Allen County Judicial Center to the Administrative Office of the Courts, Commonwealth of Kentucky, for the amount of the bond payments. Total bonds outstanding as of June 30, 2019, totaled \$8,900,000. Future principal and interest requirements are:

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**1. First Mortgage Revenue Bonds, Series 2010 (Continued)**

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 675,000	\$ 314,554
2021	700,000	292,210
2022	720,000	269,135
2023	745,000	244,770
2024	770,000	218,630
2025-2029	4,320,000	629,268
2030	970,000	19,400
Totals	<u>\$ 8,900,000</u>	<u>\$ 1,987,967</u>

**C. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,002,448	\$ 195,000	\$ 377,917	\$ 819,531	\$ 279,493
Revenue Bonds	9,555,000		655,000	8,900,000	675,000
Total Long-term Debt	<u>\$ 10,557,448</u>	<u>\$ 195,000</u>	<u>\$ 1,032,917</u>	<u>\$ 9,719,531</u>	<u>\$ 954,493</u>

**Note 6. Contingencies**

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

**Note 7. Employee Retirement System**

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

The county's contribution for FY 2017 was \$496,159, FY 2018 was \$547,661, and FY 2019 was \$651,071.

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

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

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 21.48 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board 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 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.

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

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

Hazardous (Continued)

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 35.34 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:

<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%

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

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

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

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

Once members reach a minimum vesting period of 15 years, they 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 percent. 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.

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

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

Other Post-Employment Benefits (OPEB) (Continued)

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

The monthly insurance benefit has been increased annually as a 1.5 percent 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, they 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 percent. 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 percent 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 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

**F. Death Benefit**

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



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

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 8. Insurance**

For the fiscal year ended June 30, 2019, the Allen 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 9. Change of Magistrate**

Roman Perry, Jr., magistrate for district five of Allen County Fiscal Court, died December 13, 2018. The Kentucky Governor appointed Tim Miller as the new magistrate for district five on January 14, 2019. Then Anthony Thompson was elected magistrate for district five during the general election on November 5, 2019, with his term beginning on January 6, 2020.

**Note 10. Subsequent Events**

On October 24, 2019, the Allen County Public Properties Corporation (PPC) agreed to sell first mortgage revenue refunding bonds, series 2020, to a bank on May 5, 2020, to refund the outstanding first mortgage revenue bonds, series 2010. On October 29, 2019, the Allen County PPC gave notice that first mortgage revenue bonds, series 2010, outstanding for fiscal year 2022 through fiscal year 2030 in the amount of \$7,525,000 may be called for optional redemption on August 1, 2020. On May 5, 2020, the Allen County PPC issued the first mortgage revenue refunding bonds, series 2020, in the amount of \$7,745,000 to advance refund the series 2010 bonds. The series 2020 bonds mature on July 15, 2029. They also gave notice on May 5, 2020, that the series 2010 bonds would be called for optional redemption on August 1, 2020, and interest will cease accruing on these bonds on August 1, 2020.

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

**Note 11. Related Party Transactions**

During fiscal year ended June 30, 2019, the following related party transactions were noted:

- A magistrate works for a trucking service company owned by a family member and during fiscal year 2019 this company received \$10,247 from doing business with the fiscal court.
- A magistrate works for a fire equipment supplier and during fiscal year 2019 this company received \$846 from doing business with the fiscal court.
- The county judge/executive worked for a roofing company while he was magistrate from July 1, 2018 through January 6, 2019, and during this period this company received \$2,878 from doing business with the fiscal court.

**Note 12. Conduit Debt**

From time to time, the fiscal court has issued bonds to provide financial assistance to Camp Courageous 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 Allen County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 13. Tax Abatement**

The real property tax was abated by the Allen County Fiscal Court under the authority of Kentucky Economic Development Finance Authority's Kentucky Business Investment Program. J.M. Smucker, LLC (the company) is eligible to receive this tax abatement due to the expansion of its current operation and additional capital expenditures to provide 80 new jobs in the City of Scottsville, Kentucky. The taxes are abated by exempting the increase in value of the real property after the company's expansion from property tax due the fiscal court for a period of five years. After receiving a request from the company, the fiscal court reimburses the applicable portion of the property taxes paid by the company each year to the fiscal court. The company committed to expand the company's current operations at the Scottsville facility with capital expenditures equal to approximately 70 million dollars for building expansion and the purchase of machinery and equipment with a net increase of 80 new Kentucky employees at the facility when completed. As part of the tax abatement agreement in Allen County Ordinance 14-13, the Allen County Fiscal Court committed to exempt the company from county taxation of increase of real property for a period of five years as an inducement to expand their location in the county. For fiscal year ended June 30, 2019, the fiscal court abated real property taxes for tax year 2017 totaling \$13,974.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,125,500	\$ 3,192,580	\$ 3,357,452	\$ 164,872
In Lieu Tax Payments	70,800	70,800	82,414	11,614
Excess Fees	81,769	85,364	85,364	
Licenses and Permits	15,500	15,850	14,876	(974)
Intergovernmental	1,474,850	1,516,520	1,511,938	(4,582)
Charges for Services	96,100	108,323	109,405	1,082
Miscellaneous	266,334	289,099	273,962	(15,137)
Interest	1,000	1,143	1,248	105
Total Receipts	<u>5,131,853</u>	<u>5,279,679</u>	<u>5,436,659</u>	<u>156,980</u>
<b>DISBURSEMENTS</b>				
General Government	2,166,099	2,162,799	2,031,728	131,071
Protection to Persons and Property	689,841	769,618	744,677	24,941
General Health and Sanitation	131,650	166,193	153,041	13,152
Social Services	54,000	61,867	56,867	5,000
Recreation and Culture	109,850	101,261	97,232	4,029
Debt Service	389,409	390,286	385,659	4,627
Administration	1,278,150	1,264,825	1,244,639	20,186
Total Disbursements	<u>4,818,999</u>	<u>4,916,849</u>	<u>4,713,843</u>	<u>203,006</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>312,854</u>	<u>362,830</u>	<u>722,816</u>	<u>359,986</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds	45,000	45,000	45,000	
Transfers From Other Funds	223,052	223,052	325,241	102,189
Transfers To Other Funds	(842,141)	(842,141)	(1,106,642)	(264,501)
Total Other Adjustments to Cash (Uses)	<u>(574,089)</u>	<u>(574,089)</u>	<u>(736,401)</u>	<u>(162,312)</u>
Net Change in Fund Balance	(261,235)	(211,259)	(13,585)	197,674
Fund Balance - Beginning	<u>261,235</u>	<u>315,117</u>	<u>362,316</u>	<u>47,199</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 103,858</u>	<u>\$ 348,731</u>	<u>\$ 244,873</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,783,995	\$ 2,042,611	\$ 1,794,955	\$ (247,656)
Miscellaneous	1,000	18,654	30,674	12,020
Interest	2,000	2,000	1,370	(630)
Total Receipts	<u>1,786,995</u>	<u>2,063,265</u>	<u>1,826,999</u>	<u>(236,266)</u>
<b>DISBURSEMENTS</b>				
Roads	2,086,000	2,201,389	1,746,641	454,748
Administration	209,050	372,172	154,449	217,723
Total Disbursements	<u>2,295,050</u>	<u>2,573,561</u>	<u>1,901,090</u>	<u>672,471</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(508,055)</u>	<u>(510,296)</u>	<u>(74,091)</u>	<u>436,205</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(223,052)</u>	<u>(223,052)</u>	<u>(225,241)</u>	<u>(2,189)</u>
Total Other Adjustments to Cash (Uses)	<u>(223,052)</u>	<u>(223,052)</u>	<u>(225,241)</u>	<u>(2,189)</u>
Net Change in Fund Balance	(731,107)	(733,348)	(299,332)	434,016
Fund Balance - Beginning	<u>731,107</u>	<u>733,348</u>	<u>733,348</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 434,016</u>	<u>\$ 434,016</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 625,000	\$ 664,978	\$ 625,736	\$ (39,242)
Charges for Services	48,000	51,549	50,407	(1,142)
Miscellaneous	20,000	25,555	19,266	(6,289)
Interest	100	100	90	(10)
Total Receipts	<u>693,100</u>	<u>742,182</u>	<u>695,499</u>	<u>(46,683)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	957,586	1,254,826	1,254,822	4
Debt Service		20,107	20,107	
Administration	350,155	322,228	322,227	1
Total Disbursements	<u>1,307,741</u>	<u>1,597,161</u>	<u>1,597,156</u>	<u>5</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(614,641)</u>	<u>(854,979)</u>	<u>(901,657)</u>	<u>(46,678)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	564,641	564,641	896,000	331,359
Total Other Adjustments to Cash (Uses)	<u>564,641</u>	<u>564,641</u>	<u>896,000</u>	<u>331,359</u>
Net Change in Fund Balance	(50,000)	(290,338)	(5,657)	284,681
Fund Balance - Beginning	50,000	65,214	65,214	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (225,124)</u>	<u>\$ 59,557</u>	<u>\$ 284,681</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 30,000	\$ 43,547	\$ 53,996	\$ 10,449
Interest	50	50	40	(10)
Total Receipts	<u>30,050</u>	<u>43,597</u>	<u>54,036</u>	<u>10,439</u>
<b>DISBURSEMENTS</b>				
General Government	30,000	60,000	60,000	
Administration	4,050	5,080		5,080
Total Disbursements	<u>34,050</u>	<u>65,080</u>	<u>60,000</u>	<u>5,080</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,000)</u>	<u>(21,483)</u>	<u>(5,964)</u>	<u>15,519</u>
Net Change in Fund Balance	(4,000)	(21,483)	(5,964)	15,519
Fund Balance - Beginning	<u>4,000</u>	<u>21,483</u>	<u>21,483</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,519</u>	<u>\$ 15,519</u>



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

**TRANSFER STATION AND RECYCLING CENTER FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 1,500	\$ 1,500	\$ 1,500	\$
Intergovernmental	6,000	6,000	4,000	(2,000)
Charges for Services	435,000	490,760	599,891	109,131
Miscellaneous	21,000	21,600	19,852	(1,748)
Interest	100	100	52	(48)
Total Receipts	<u>463,600</u>	<u>519,960</u>	<u>625,295</u>	<u>105,335</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	645,600	829,133	829,131	2
Administration	95,500	78,230	78,202	28
Total Disbursements	<u>741,100</u>	<u>907,363</u>	<u>907,333</u>	<u>30</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(277,500)</u>	<u>(387,403)</u>	<u>(282,038)</u>	<u>105,365</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>277,500</u>	<u>277,500</u>	<u>275,000</u>	<u>(2,500)</u>
Total Other Adjustments to Cash (Uses)	<u>277,500</u>	<u>277,500</u>	<u>275,000</u>	<u>(2,500)</u>
Net Change in Fund Balance		(109,903)	(7,038)	102,865
Fund Balance - Beginning		<u>46,169</u>	<u>46,169</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (63,734)</u>	<u>\$ 39,131</u>	<u>\$ 102,865</u>

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

	<b>SPECIAL RESERVE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$ 500	\$ 571	\$ 691	\$ 120
Total Receipts	500	571	691	120
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		(150,000)		(150,000)
Administration	500,500	629,358		629,358
Total Disbursements	500,500	479,358		479,358
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(478,787)	691	479,478
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds		150,000	150,000	
Transfers From Other Funds			120,642	120,642
Transfers To Other Funds			(285,000)	(285,000)
Total Other Adjustments to Cash (Uses)		150,000	(14,358)	(164,358)
Net Change in Fund Balance	(500,000)	(328,787)	(13,667)	315,120
Fund Balance - Beginning	500,000	513,787	513,787	
Fund Balance - Ending	\$ 0	\$ 185,000	\$ 500,120	\$ 315,120

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

**June 30, 2019**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Excess of Disbursements Over Appropriations**

Special reserve fund protection to person and property exceeded budgeted appropriations by \$150,000.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,460,174	\$	\$	\$ 1,460,174
Buildings and Building Improvements	16,968,529			16,968,529
Equipment	738,015	300,618		1,038,633
Vehicles	1,788,630	47,208	28,359	1,807,479
Infrastructure	23,471,387	1,180,654		24,652,041
 Total Capital Assets	 \$ 44,426,735	 \$ 1,528,480	 \$ 28,359	 \$ 45,926,856

**ALLEN COUNTY  
NOTES TO OTHER INFORMATION - REGULATORY BASIS  
SCHEDULE OF CAPITAL ASSETS**

**June 30, 2019**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-25
Equipment	\$ 7,500	3-25
Vehicles	\$ 7,500	3-25
Infrastructure	\$ 20,000	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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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Dennis Harper, Allen County Judge/Executive  
The Honorable Johnny Hobdy, Former Allen County Judge/Executive  
Members of the Allen 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 Allen County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Allen County Fiscal Court's financial statement and have issued our report thereon dated May 28, 2020.

**Internal Control Over Financial Reporting**

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

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

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



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Allen 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 Official and Planned Corrective Action**

The Allen County Jailer's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The jailer's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

**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,

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Mike Harmon  
Auditor of Public Accounts

May 28, 2020

**ALLEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**ALLEN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL - MATERIAL WEAKNESS:

2019-001    The Allen County Detention Center Does Not Have Adequate Segregation Of Duties Over The Jail Commissary Fund

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The Allen County Detention Center does not have adequate segregation of duties over jail commissary receipts and disbursements. The bookkeepers collect receipts, prepare deposits, prepare daily checkout sheets, prepare monthly reports, posts to the ledgers, reconcile bank statements, and prepare checks. To mitigate this lack of segregation of duties, the jailer has implemented some compensating controls such as having bookkeepers review each other's daily checkout work.

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 commissary can hire for accounting functions. Without the proper internal controls the jailer creates the opportunity for misappropriation of assets and inaccurate financing reporting to occur and go unnoticed.

Good internal controls dictate that duties over the various accounting functions such as preparation of deposits, daily checkout sheet process, collection of cash, and preparation of checks and reports be segregated in order to lower the risk of misappropriation of assets and inaccurate financial reporting occurring and going unnoticed.

We recommend the Allen 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, then the jailer can implement additional compensating controls and document the controls performed.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The official did not provide a response.*

*County Jailer's Response: No comment.*

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

**ALLEN COUNTY FISCAL COURT**

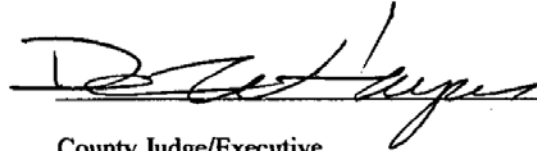
**For The Year Ended June 30, 2019**

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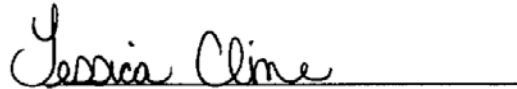
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
ALLEN COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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

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County Judge/Executive

A handwritten signature in black ink, appearing to read "Jessica Cline", written over a horizontal line.

County Treasurer