

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

**For The Fiscal Year Ended
June 30, 2016**



ALEXANDER THOMPSON ARNOLD PLLC

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HENDERSON COUNTY FISCAL COURT

June 30, 2016

Alexander Thompson Arnold PLLC has completed the audit of the Henderson County Fiscal Court for the fiscal year ended June 30, 2016.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Henderson County Fiscal Court, Kentucky.

Financial Condition:

The Henderson County Fiscal Court had total receipts of \$26,152,107 and disbursements of \$24,645,320 in fiscal year 2016. This resulted in a total ending fund balance of \$10,300,637, which is an increase of \$4,810,047 from the prior year.

Report Comments:

- | | |
|----------|--|
| 2016-001 | Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements |
| 2016-002 | The Payroll Revolving Account Was Not Properly Reconciled |
| 2016-003 | The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors |
| 2016-004 | Capital Assets Should Be Properly Handled and Documented |
| 2016-005 | Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report |

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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

Independent Auditors' Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Henderson 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.

Auditors' 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 auditors' 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
Honorable Matthew G. Bevin, Governor
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in more fully in Note 1 of the financial statement, the financial statement is prepared by the Henderson 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 Henderson County Fiscal Court as of June 30, 2016, 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 Henderson County Fiscal Court as of June 30, 2016, 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 Henderson 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.

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

Supplementary Information (Continued)

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2018 on our consideration of the Henderson 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 Henderson 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 discuss the following report findings:

- | | |
|----------|--|
| 2016-001 | Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements |
| 2016-002 | The Payroll Revolving Account Was Not Properly Reconciled |
| 2016-003 | The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors |
| 2016-004 | Capital Assets Should Be Properly Handled and Documented |
| 2016-005 | Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report |

Respectfully submitted,



Alexander Thompson Arnold PLLC
 April 11, 2018

HENDERSON COUNTY FISCAL COURT OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Brad Schneider	County Judge/Executive
George Warren	Magistrate
Bruce Todd	Magistrate
Charles Alexander	Magistrate
Butch Puttman	Magistrate
Carter Wilkerson	Magistrate

Other Elected Officials:

Steve Gold	County Attorney
Ron Herrington	Jailer
Renesa Abner	County Clerk
Frances R. London	Circuit Court Clerk
Ed Brady	Sheriff
Howard Moran	Property Valuation Administrator
Bruce Farmer	Coroner

Appointed Personnel:

Brenda Duncan-Rider	County Treasurer
Paula Wilson	Finance Officer

**HENDERSON COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2016

HENDERSON COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2016

	Budgeted Funds					
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	State Grant Fund	Economic Development Fund
RECEIPTS						
Taxes	\$ 7,199,772	\$ -	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	418,360	-	-	-	-	-
Excess Fees	22,454	-	-	-	-	-
Licenses and Permits	137,195	-	-	123,484	-	-
Intergovernmental	3,207,095	1,860,744	7,366,069	634,258	922,736	237,385
Charges for Services	-	12,460	129,060	-	-	-
Miscellaneous	204,200	1,096,074	420,749	20,430	2,429	-
Interest	5,254	426	22,739	6,246	-	29
Total Receipts	11,194,330	2,969,704	7,938,617	784,418	925,165	237,414
DISBURSEMENTS						
General Government	6,578,037	-	-	50,000	-	149,960
Protection to Persons and Property	455,446	-	5,133,679	183,270	279,226	-
General Health and Sanitation	-	227,104	-	262,333	-	-
Social Services	-	267,207	-	142,710	209,484	-
Recreation and Culture	-	-	-	1,500	-	-
Roads	72,236	2,289,622	-	93,585	-	-
Bus Services	-	-	-	32,500	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	1,059,434	-	-	-	803,848	-
Administration	742,809	818,593	1,313,610	76	-	-
Total Disbursements	8,907,962	3,602,526	6,447,289	765,974	1,292,558	149,960
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,286,368	(632,822)	1,491,328	18,444	(367,393)	87,454
Other Adjustments to Cash (Uses)						
Bond Proceeds	-	-	-	-	-	-
Change in Payroll Revolving Account	(248,931)	-	-	-	-	-
Cost of Issuance	-	-	-	-	-	-
Transfers From Other Funds	606,178	1,650,000	500,000	300,000	586,001	-
Transfers To Other Funds	(2,356,001)	(600,000)	(588,150)	(636,178)	-	(50,000)
Total Other Adjustments to Cash (Uses)	(1,998,754)	1,050,000	(88,150)	(336,178)	586,001	(50,000)
Net Change in Fund Balance	287,614	417,178	1,403,178	(317,734)	218,608	37,454
Fund Balance - Beginning (Restated)	2,696,594	361,843	1,466,029	534,527	85,019	73,275
Fund Balance - Ending	\$ 2,984,208	\$ 779,021	\$ 2,869,207	\$ 216,793	\$ 303,627	\$ 110,729
Composition of Fund Balance						
Bank Balance	\$ 1,914,669	\$ 790,372	\$ 2,879,445	\$ 237,502	\$ 303,627	\$ 129,889
Payroll Revolving Account Reconciled Balance	(304,933)	-	-	-	-	-
Less: Outstanding Checks	(82,400)	(11,351)	(10,238)	(20,709)	-	(19,160)
Certificate of Deposits	1,456,872	-	-	-	-	-
Fund Balance - Ending	\$ 2,984,208	\$ 779,021	\$ 2,869,207	\$ 216,793	\$ 303,627	\$ 110,729

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

**HENDERSON COUNTY FISCAL COURT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS (CONTINUED)**

For The Year Ended June 30, 2016

	<u>Unbudgeted Funds</u>			<u>Internal Service Funds</u>	
	<u>General Obligation Bond Fund</u>	<u>Public Properties Debt Service Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>	<u>Health Insurance Fund</u>
RECEIPTS					
Taxes	\$ -	\$ -	\$ -	\$ 7,199,772	\$ -
In Lieu Tax Payments	-	-	-	418,360	-
Excess Fees	-	-	-	22,454	-
Licenses and Permits	-	-	-	260,679	-
Intergovernmental	-	724,657	-	14,952,944	-
Charges for Services	-	-	1,377,601	1,519,121	-
Miscellaneous	-	-	-	1,743,882	3,098,773
Interest	200	1	-	34,895	-
Total Receipts	<u>200</u>	<u>724,658</u>	<u>1,377,601</u>	<u>26,152,107</u>	<u>3,098,773</u>
DISBURSEMENTS					
General Government	-	-	-	6,777,997	-
Protection to Persons and Property	-	-	-	6,051,621	-
General Health and Sanitation	-	-	-	489,437	-
Social Services	-	-	-	619,401	-
Recreation and Culture	-	-	1,171,532	1,173,032	-
Roads	-	-	-	2,455,443	-
Bus Services	-	-	-	32,500	-
Debt Service	1,578,731	728,788	-	2,307,519	-
Capital Projects	-	-	-	1,863,282	-
Administration	-	-	-	2,875,088	2,830,390
Total Disbursements	<u>1,578,731</u>	<u>728,788</u>	<u>1,171,532</u>	<u>24,645,320</u>	<u>2,830,390</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,578,531)</u>	<u>(4,130)</u>	<u>206,069</u>	<u>1,506,787</u>	<u>268,383</u>
Other Adjustments to Cash (Uses)					
Bond Proceeds	3,616,691	-	-	3,616,691	-
Payroll Revolving Account	-	-	-	(248,931)	-
Cost of Issuance	(64,500)	-	-	(64,500)	-
Transfers From Other Funds	588,150	-	-	4,230,329	-
Transfers To Other Funds	-	-	-	(4,230,329)	-
Total Other Adjustments to Cash (Uses)	<u>4,140,341</u>	<u>-</u>	<u>-</u>	<u>3,303,260</u>	<u>-</u>
Net Change in Fund Balance	2,561,810	(4,130)	206,069	4,810,047	268,383
Fund Balance - Beginning (Restated)	11,640	4,134	257,529	5,490,590	132,037
Fund Balance - Ending	<u>\$ 2,573,450</u>	<u>\$ 4</u>	<u>\$ 463,598</u>	<u>\$ 10,300,637</u>	<u>\$ 400,420</u>
Composition of Fund Balance					
Bank Balance	\$ 2,573,450	\$ 4	\$ 464,889	\$ 9,293,847	\$ 400,420
Plus: Deposits In Transit	-	-	-	-	-
Less: Outstanding Checks	-	-	(1,291)	(145,149)	-
Certificate of Deposits	-	-	-	1,456,872	-
Fund Balance - Ending	<u>\$ 2,573,450</u>	<u>\$ 4</u>	<u>\$ 463,598</u>	<u>\$ 10,300,637</u>	<u>\$ 400,420</u>

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

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**HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT
June 30, 2016**

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of the Henderson County Fiscal Court includes all budgeted and unbudgeted funds under the control of the Henderson 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 *Government 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 and 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 source of receipts for this fund is state payments for truck licenses 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.

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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 government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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.

State Grants Fund - The primary purpose of this fund is to account for activity related to federal and state grants. The primary source of receipts for this fund is federal and state grants.

Economic Development Fund - The primary purpose of this fund is to account for activity related to development in the county. The primary source of receipts for this fund is coal severance monies.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of the Courts Facility - Series 2006 Bonds, Refunding Bonds - Series 2012, Refunding Bonds - Series 2013, and General Obligation Bonds - Series 2015. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Public Properties Debt Service Fund - The primary purpose of this fund is to account for receipts from the Administrative Office of the Courts used to offset the County's required payments on its debt related to the courthouse.

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

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Information (Continued)

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 these funds.

The State Local Finance Officer does not require the Public Properties Debt Service Fund or the General Obligation Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Henderson County Fiscal Court Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Henderson County Fiscal Court. 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 Henderson 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 the following, including but not limited to, 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.

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

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, 2016, 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 2016.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Economic Development Fund	Total Transfers In
General Fund	\$ -	\$ -	\$ -	\$ 606,178	\$ -	\$ 606,178
Road Fund	1,650,000	-	-	-	-	1,650,000
Jail Fund	-	500,000	-	-	-	500,000
LGEA Fund	120,000	100,000	-	30,000	50,000	300,000
State Grant Fund	586,001	-	-	-	-	586,001
General Obligation Bond Fund	-	-	588,150	-	-	588,150
Total Transfers Out	<u>\$ 2,356,001</u>	<u>\$ 600,000</u>	<u>\$ 588,150</u>	<u>\$ 636,178</u>	<u>\$ 50,000</u>	<u>\$ 4,230,329</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. Amounts Due to and Due From Other Funds

As of June 30, 2016, there was \$500,000 due to the Jail Fund from the General Fund. This fiscal court intends to transfer this amount back to the Jail Fund before the end of FY 2018.

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 5. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2016 was \$143,516.

Note 6. Assets Held For Resale

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles and Equipment	\$ -	\$ 269,804	\$ 269,804	\$ -
Total	\$ -	\$ 269,804	\$ 269,804	\$ -

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on July 29, 2015 for the purpose of financing the purchase of trucks for the road department. These trucks were held for resale and were sold prior to June 30, 2016. The lease amount was \$269,804. The lease was paid in full on June 21, 2016.

Note 7. Short-term DebtA. Mack Trucks - Held For Resale

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on July 29, 2015 for the purpose of financing the purchase of trucks for the road department. These trucks were held for resale and were sold prior to June 30, 2016. The lease amount was \$269,804. The lease was paid in full on June 21, 2016.

B. Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ -	\$ 269,804	\$ 269,804	\$ -	\$ -
Total Short-term Debt	\$ -	\$ 269,804	\$ 269,804	\$ -	\$ -

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 8. ReceivablesA. Airport Receivable

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007 for the purpose of funding an airport expansion (See Note 9E) project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. Henderson County has recognized the debt and the receivable. The balance of the receivable at June 30, 2016 was \$222,488.

B. Reed Fire Department Receivable

During the fiscal year 2013, Henderson County Fiscal Court loaned the Reed Volunteer Fire Department \$50,000. This loan was to be paid back with an annual payment of \$5,000 with no interest added starting in 2013. As a result, the balance available for Reed's Fire Department in the appropriations ledger was to be reduced by \$5,000 every year. As of June 30, 2016, the balance of the receivable was \$30,000.

Note 9. Long-term DebtA. Courts Facility - Series 2006 Bonds

The Henderson County Public Properties Corporation entered into a bond issue, Henderson County Public Properties Corporation Lease Revenue Refunding Bonds (Court Facility Project), Series 2006 on December 1, 2006, for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds. The issue amount of the bonds was \$9,670,000. Interest on the bonds is payable semi-annually on February 1 and August 1 of each year. The bonds will mature on February 1 of each year thereafter. The outstanding balance as of June 30, 2016 was \$5,925,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2017	\$ 500,000	\$ 226,206
2018	520,000	207,956
2019	535,000	188,717
2020	555,000	168,921
2021	575,000	147,831
2022-2026	<u>3,240,000</u>	<u>386,337</u>
Totals	<u>\$ 5,925,000</u>	<u>\$ 1,325,968</u>

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 9. Long-term Debt (Continued)

B. Refunding Bonds - Series 2012

Henderson County Fiscal Court issued \$1,865,000 General Obligation Refunding Bonds, Series 2012 dated May 2012, for the purpose of refunding and retiring a portion of the County's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2012. Interest on the bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2012. The principal balance outstanding for the bond issue as of June 30, 2016 was \$1,285,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Interest
2017	\$ 175,000	\$ 23,300
2018	175,000	21,200
2019	180,000	18,750
2020	185,000	15,870
2021	185,000	12,170
2022-2023	385,000	12,760
Totals	<u>\$ 1,285,000</u>	<u>\$ 104,050</u>

C. Refunding Bonds - Series 2013

Henderson County Fiscal Court issued \$3,335,000 General Obligation Refunding Bonds, Series 2013 dated September 2013, for the purpose of refunding and retiring a portion of the County's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2014. Interest on the bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2014. The principal balance outstanding for the bond issue as of June 30, 2016 was \$2,450,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2017	\$ 325,000	\$ 61,700
2018	335,000	55,200
2019	345,000	48,500
2020	345,000	40,737
2021	355,000	32,113
2022-2023	745,000	33,750
Totals	<u>\$ 2,450,000</u>	<u>\$ 272,000</u>

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 9. Long-term Debt (Continued)

D. General Obligation Bonds - Series 2015

Henderson County Fiscal Court issued \$3,545,000 General Obligation Bonds, Series 2015 dated November 2015, for the purpose of funding a new 911 emergency system. Principal payments are due each year on December 1, in amounts indicated below starting December 1, 2016. Interest on the bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2016. The principal balance outstanding for the bond issue as of June 30, 2016 was \$3,545,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2017	\$ 205,000	\$ 82,050
2018	205,000	77,950
2019	210,000	73,800
2020	215,000	69,550
2021	220,000	65,200
2022-2026	1,170,000	257,300
2027-2031	1,320,000	101,250
Totals	<u>\$ 3,545,000</u>	<u>\$ 727,100</u>

E. Airport Lease

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007 for the purpose of funding an airport expansion project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. Principal and interest payments are due monthly. Interest is charged at a rate of 4.338%. The lease will be paid in full on May 20, 2027. The principal balance as of June 30, 2015 was \$236,384. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2017	\$ 14,773	\$ 9,389
2018	15,705	8,749
2019	16,696	8,064
2020	17,749	7,348
2021	16,870	6,575
2022-2026	115,788	19,515
2027	24,907	799
Totals	<u>\$ 222,488</u>	<u>\$ 60,439</u>

**HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016**

Note 9. Long-term Debt (Continued)

F. Changes In Long-term Debt

Long-term debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 Revenue Refunding Bonds	\$ 6,410,000	\$ -	\$ 485,000	\$ 5,925,000	\$ 500,000
2012 General Obligation Bonds	1,460,000	-	175,000	1,285,000	175,000
2013 General Obligation Bonds	2,770,000	-	320,000	2,450,000	325,000
2015 General Obligation Bonds	-	3,545,000	-	3,545,000	205,000
Financing Obligations	236,384	-	13,896	222,488	14,773
Total Long-term Debt	<u>\$ 10,876,384</u>	<u>\$ 3,545,000</u>	<u>\$ 993,896</u>	<u>\$ 13,427,488</u>	<u>\$ 1,219,773</u>

Note 10. 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.

A. Industrial Revenue Bonds

The Henderson County Fiscal Court has adopted ordinances approving the issuance of Industrial Revenue Bonds and Pollution Control Bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Henderson County. Accordingly these financial statements do not include any assets or liabilities related to the issuance of these various bond issues.

B. Ambulance Service Agreement

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a countywide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this agreement for fiscal year ended June 30, 2016 were \$236,945.

C. Henderson City-County Planning Commission

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Henderson City-County Planning Commission (Planning Commission). The Planning Commission is a joint venture between Fiscal Court and City of Henderson to assist and promote the orderly development of the county and cities. The Fiscal Court and City of Henderson are each responsible for fifty percent of the basic administration included in the budget of the Planning Commission. Expenses incurred under this agreement for fiscal year ended June 30, 2016, were \$360,000.

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 10. Commitments and Contingencies (Continued)

D. Henderson City-County Airport Board

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Henderson City-County Airport Board. The Airport Board is a joint venture between the Fiscal Court and the City of Henderson to assist and promote the Henderson City-County Airport. Expenses incurred under this agreement for fiscal year ended June 30, 2016 was \$155,132.

E. KYNDLE (Formerly Northwest KY Forward)

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for KYNDLE, which is a joint venture between the Fiscal Court and City of Henderson to assist and promote Henderson County. Expenses incurred under this agreement for fiscal year ended June 30, 2016 was \$100,000.

F. Community United Methodist Hospital – Conduit Debt

The County issued \$7,200,000 in revenue bonds in fiscal year 2013 to enable a non-profit corporation to finance the acquisition of medical equipment. The bonds do not constitute an indebtedness or pledge of faith and credit of the County; therefore, no obligation is recorded on the County's long-term debt note in Note 9.

Note 11. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

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 the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

**HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016**

Note 11. Employee Retirement System (Continued)

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 account. Members contribute five percent (nonhazardous) of their annual creditable compensation and 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 Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$1,336,362, FY 2015 was \$1,293,119, and FY 2016 was \$1,206,036.

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 (members 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.

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:

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

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

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.

**HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016**

Note 11. Employee Retirement System (Continued)

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/employers/GASB/Pages/GASB-Library.aspx>. 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 12. Deferred Compensation

The Henderson 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 Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 13. Self-Insurance - Health

Henderson County Fiscal Court elected to begin a partially self-funded health insurance plan as of April 1, 1997. County employees are required to contribute 16% of the premium payments for their plan and the County pays the remaining 84% of the County employee's coverage. The County maintains one insurance plan with various levels of coverage (i.e. single, family, etc.). The Riverport Authority employees also contribute to this fund. Henderson County contracted with Anthem Blue Cross Blue Shield as of January 1, 2012.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed and administrative costs for fiscal year ending June 30, 2016 were \$(14,455). The second component is the claims cost, all of which Henderson County is responsible to pay as they incur. Once an individual exceeds \$75,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. These amounts are netted on the bill the County receives. Incurred claims for fiscal year ended June 30, 2016 were \$2,844,846. Henderson County Fiscal Court's contract with Anthem Blue Cross Blue Shield has no terminal liability provisions. The Court will be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$400,420 as of June 30, 2016.

HENDERSON COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)
June 30, 2016

Note 14. Insurance

For the fiscal year ended June 30, 2016, Henderson County Fiscal Court County 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 15. Payroll Revolving Account

The reconciled balance of the Payroll Revolving Account as of June 30, 2016, was added to the General Fund cash balance for financial reporting purposes.

Note 16. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
Ending Balance Prior Year	\$ 2,686,995	\$ 356,961	\$ 1,461,591	\$ 534,511
Adjustments:				
Prior Year Voided Checks	<u>9,599</u>	<u>4,882</u>	<u>4,438</u>	<u>16</u>
Beginning Cash Balance Restated	<u><u>\$ 2,696,594</u></u>	<u><u>\$ 361,843</u></u>	<u><u>\$ 1,466,029</u></u>	<u><u>\$ 534,527</u></u>

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**HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2016

**HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 6,156,994	\$ 6,816,233	\$ 7,199,772	\$ 383,539
In Lieu Tax Payments	372,617	372,617	418,360	45,743
Excess Fees	120,000	120,000	22,454	(97,546)
Licenses and Permits	151,300	151,300	137,195	(14,105)
Intergovernmental	3,121,693	3,121,693	3,207,095	85,402
Charges for Services	2,016	2,016	-	(2,016)
Miscellaneous	103,050	209,757	204,200	(5,557)
Interest	15,000	15,000	5,254	(9,746)
Total Receipts	<u>10,042,670</u>	<u>10,808,616</u>	<u>11,194,330</u>	<u>385,714</u>
DISBURSEMENTS				
General Government	7,746,411	7,748,871	6,578,037	1,170,834
Protection to Persons and Property	634,190	4,117,425	455,446	3,661,979
Roads	74,778	74,778	72,236	2,542
Capital Projects	388,173	1,059,434	1,059,434	-
Administration	591,139	745,129	742,809	2,320
Total Disbursements	<u>9,434,691</u>	<u>13,745,637</u>	<u>8,907,962</u>	<u>4,837,675</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>607,979</u>	<u>(2,937,021)</u>	<u>2,286,368</u>	<u>5,223,389</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	-	-	606,178	606,178
Transfers To Other Funds	<u>(2,832,641)</u>	<u>(2,832,641)</u>	<u>(2,356,001)</u>	<u>476,640</u>
Total Other Adjustments to Cash (Uses)	<u>(2,832,641)</u>	<u>(2,832,641)</u>	<u>(1,749,823)</u>	<u>1,082,818</u>
Net Change in Fund Balance	(2,224,662)	(5,769,662)	536,545	6,306,207
Fund Balance - Beginning (Restated)	<u>2,224,662</u>	<u>2,224,662</u>	<u>2,696,594</u>	<u>471,932</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (3,545,000)</u>	<u>\$ 3,233,139</u>	<u>\$ 6,778,139</u>

HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,551,369	\$ 1,853,253	\$ 1,860,744	\$ 7,491
Charges for Services	40,000	40,000	12,460	(27,540)
Miscellaneous	211,000	658,766	1,096,074	437,308
Interest	250	250	426	176
Total Receipts	<u>1,802,619</u>	<u>2,552,269</u>	<u>2,969,704</u>	<u>417,435</u>
DISBURSEMENTS				
General Health and Sanitation	415,743	415,743	227,104	188,639
Social Services	471,117	471,117	267,207	203,910
Roads	2,646,786	3,272,595	2,289,622	982,973
Administration	708,140	831,980	818,593	-
Total Disbursements	<u>4,241,786</u>	<u>4,991,435</u>	<u>3,602,526</u>	<u>1,375,522</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,439,167)</u>	<u>(2,439,166)</u>	<u>(632,822)</u>	<u>1,792,957</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,312,459	2,312,459	1,650,000	(662,459)
Transfers To Other Funds	-	-	(600,000)	(600,000)
Total Other Adjustments to Cash (Uses)	<u>2,312,459</u>	<u>2,312,459</u>	<u>1,050,000</u>	<u>(1,262,459)</u>
Net Change in Fund Balance	(126,708)	(126,707)	417,178	543,885
Fund Balance - Beginning (Restated)	<u>126,708</u>	<u>126,708</u>	<u>361,843</u>	<u>235,135</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 779,021</u>	<u>\$ 779,020</u>

HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

	JAIL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,041,973	\$ 6,241,973	\$ 7,366,069	\$ 1,124,096
Charges for Services	66,300	66,300	129,060	62,760
Miscellaneous	346,000	346,000	420,749	74,749
Interest	7,500	7,500	22,739	15,239
Total Receipts	<u>6,461,773</u>	<u>6,661,773</u>	<u>7,938,617</u>	<u>1,276,844</u>
DISBURSEMENTS				
Protection to Persons and Property	4,867,031	5,131,083	5,133,679	(2,596)
Debt Service	619,078	589,400	-	-
Administration	1,353,780	1,319,406	1,313,610	5,796
Total Disbursements	<u>6,839,889</u>	<u>7,039,889</u>	<u>6,447,289</u>	<u>3,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(378,116)</u>	<u>(378,116)</u>	<u>1,491,328</u>	<u>1,280,044</u>
Other Adjustments to Cash (Uses)				
Transfers from Other Funds	-	-	500,000	500,000
Transfers to Other Funds	-	-	(588,150)	(588,150)
Total Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>	<u>(88,150)</u>	<u>(88,150)</u>
Net Change in Fund Balance	(378,116)	(378,116)	1,403,178	1,781,294
Fund Balance - Beginning (Restated)	<u>378,116</u>	<u>378,116</u>	<u>1,466,029</u>	<u>1,087,913</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,869,207</u>	<u>\$ 2,869,207</u>

HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 90,000	\$ 90,000	\$ 123,484	\$ 33,484
Intergovernmental	533,240	623,933	634,258	10,325
Miscellaneous	1,000	1,000	20,430	19,430
Interest	7,500	7,500	6,246	(1,254)
Total Receipts	<u>631,740</u>	<u>722,433</u>	<u>784,418</u>	<u>61,985</u>
DISBURSEMENTS				
General Government	65,000	60,227	50,000	10,227
Protection to Persons and Property	568,874	568,874	183,270	385,604
General Health and Sanitation	365,100	366,873	262,333	104,540
Social Services	263,695	263,695	142,710	120,985
Recreation and Culture	18,000	18,000	1,500	16,500
Roads	3,000	93,693	93,585	108
Bus Services	29,500	32,500	32,500	-
Capital Projects	-	-	-	-
Administration	1,000	1,000	76	924
Total Disbursements	<u>1,314,169</u>	<u>1,404,862</u>	<u>765,974</u>	<u>638,888</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(682,429)</u>	<u>(682,429)</u>	<u>18,444</u>	<u>700,873</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	-	-	300,000	300,000
Transfers To Other Funds	-	-	(636,178)	(636,178)
Total Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>	<u>(336,178)</u>	<u>(336,178)</u>
Net Change in Fund Balance	(682,429)	(682,429)	(317,734)	364,695
Fund Balance - Beginning (Restated)	<u>192,247</u>	<u>192,247</u>	<u>534,527</u>	<u>342,280</u>
Fund Balance - Ending	<u>\$ (490,182)</u>	<u>\$ (490,182)</u>	<u>\$ 216,793</u>	<u>\$ 706,975</u>

HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

	STATE GRANT FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 535,000	\$ 727,774	\$ 922,736	\$ 194,962
Miscellaneous	-	-	2,429	2,429
Total Receipts	<u>535,000</u>	<u>727,774</u>	<u>925,165</u>	<u>197,391</u>
DISBURSEMENTS				
Protection to Persons and Property	285,000	285,000	279,226	5,774
Social Services	250,000	250,000	209,484	40,516
Capital Projects	-	778,775	803,848	(25,073)
Total Disbursements	<u>535,000</u>	<u>1,313,775</u>	<u>1,292,558</u>	<u>21,217</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>-</u>	<u>(586,001)</u>	<u>(367,393)</u>	<u>176,174</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	-	-	586,001	(586,001)
Total Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>	<u>586,001</u>	<u>(586,001)</u>
Net Change in Fund Balance	-	(586,001)	218,608	(409,827)
Fund Balance - Beginning	<u>-</u>	<u>-</u>	<u>85,019</u>	<u>85,019</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ (586,001)</u>	<u>\$ 303,627</u>	<u>\$ (324,808)</u>

HENDERSON COUNTY FISCAL COURT
BUDGETARY COMPARISON SCHEDULES (CONTINUED)
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 330,624	\$ 330,624	\$ 237,385	\$ (93,239)
Interest	-	-	29	29
Total Receipts	330,624	330,624	237,414	(93,210)
DISBURSEMENTS				
General Government	330,624	330,624	149,960	180,664
Administration	30,000	30,000	-	30,000
Total Disbursements	360,624	360,624	149,960	210,664
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(30,000)	(30,000)	87,454	117,454
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	30,000	30,000	-	(30,000)
Transfers To Other Funds	-	-	(50,000)	(50,000)
Total Other Adjustments to Cash (Uses)	30,000	30,000	(50,000)	(80,000)
Net Change in Fund Balance			37,454	37,454
Fund Balance - Beginning	-	-	73,275	73,275
Fund Balance - Ending	\$ -	\$ -	\$ 110,729	\$ 110,729

HENDERSON COUNTY FISCAL COURT
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES
June 30, 2016

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 *Government 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 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1st.

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. Disbursements Exceeding Budgeted Appropriations

In the year ended June 30, 2016, there were no disbursement items exceeding their respective budgeted amounts.

Note 3. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (1,749,823)
To adjust for Payroll Revolving Account	<u>(248,931)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (1,998,754)</u></u>
Fund Balance - Ending - Budgetary Basis	\$ 3,233,139
To adjust for Payroll Revolving Account	<u>(248,931)</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 2,984,208</u></u>

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**HENDERSON COUNTY FISCAL COURT
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016**

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 608,213	\$ 150,000	\$ 110,000	\$ 648,213
Buildings and Building Improvements	21,897,419	-	-	21,897,419
Vehicles and Equipment	7,836,917	516,940	1,404,444	6,949,413
Equipment - Jail	94,955	-	-	94,955
Infrastructure	10,242,413	311,261	-	10,553,674
 Total Capital Assets	 <u>\$ 40,679,917</u>	 <u>\$ 978,201</u>	 <u>\$ 1,514,444</u>	 <u>\$ 40,143,674</u>

HENDERSON COUNTY FISCAL COURT
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS
June 30, 2016

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	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

**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**



The Honorable Brad Schneider, Henderson County Fiscal Court Judge/Executive
Members of the Henderson 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 Auditors' 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 Henderson County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement and have issued our report thereon dated April 11, 2018. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Henderson 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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Henderson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Henderson 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 comments and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 questioned costs as items 2016-001, 2016-002, 2016-003, and 2016-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-004 to be a significant deficiency.

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 Henderson 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and questioned costs as items 2016-001 and 2016-002.

County Judge/Executive's Response to Findings

The Henderson County Fiscal Court Judge/Executive's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County Judge/Executive 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,



Alexander Thompson Arnold PLLC

April 11, 2018

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

2016-001 Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements

Criteria:

KRS 68.360 requires a statement for the year showing the actual receipts, encumbrances, disbursements, and transfers that is to be submitted to the state local finance officer.

Additionally, proper internal controls require that financial statements agree to the underlying accounting records and reflect the actual position of the County.

Condition:

The 4th Quarter Financial Statement was not accurately stated and did not properly reflect the actual position of the County. Lack of oversight over the preparation of the financial statement caused the actual receipts, encumbrances, disbursements, and transfers to differ from reported amounts.

This is a repeat finding as the condition was also present during the fiscal year ended June 30, 2015.

Cause:

The internal control activities as well as monitoring surrounding the preparation of the financial statement are lacking and increase the likelihood of the financial statement to be misstated. For instance, there were no established written policies and procedures for record-keeping or financial statement preparation, and staff were not aware of such procedures, which further increased the risk of misstatement.

Effect:

In performing the audit, the auditors encountered several instances where balances reported on the report differed from the actual position of the County.

Recommendation:

The auditors recommend that the County establish proper oversight over the preparation of the 4th Quarter Financial Statement in order to ensure accurate reporting to the Department for Local Government. The County could establish and enforce a written document listing the policies and procedures relating to the maintenance of records as well as financial statement preparation to ensure the proper handling of its records and the financial statement itself. The County should also establish a review where County records are compared to quarterly reports periodically to ensure accuracy.

County Judge/Executive Brad Schneider's Response:

The current treasurer is making progress towards improving these processes and gaining training that will make our reports more accurate.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES****Fiscal Year Ended June 30, 2016****2016-002 The Payroll Revolving Account Was Not Properly Reconciled****Criteria:**

The Department of Local Government County Budget Preparation and State Local Finance Officer Policy Manual requires monthly bank reconciliations.

Additionally, proper internal controls require that bank accounts be reconciled on a monthly basis in a manner that ensures accuracy and appropriate reporting.

Condition:

The ending balance in the payroll account did not accurately reflect the actual position of the County with regards to the payroll funds due to improper reconciliation that caused activities of different accounts to co-mingle with the payroll funds.

This is a repeat finding as the condition was also present during the fiscal year ended June 30, 2015.

Cause:

The maintenance of payroll records was inadequate as there were no ledgers supporting all of the activity that was taking place in the fund during the year. Because the payroll activity was co-mingled with self-insurance payments and flexible spending transactions, an accounting for all transactions was practically impossible. As a result, reconciliation of the payroll fund was not properly handled and caused the payroll fund balance to inaccurately reflect the actual position of the County.

Effect:

As a result of poor reconciliation, the respective cash balances of the self-insurance and the payroll fund were inaccurately reported. The revolving payroll account should zero out at the end of the year to reconcile to a minimal carrying balance. However, because of the improper handling of the payroll activities, the payroll ending balance was negative. Certain self-insurance and flex payments were also improperly reported as they were accounted for under the payroll account.

Recommendation:

The auditors recommend that the payroll fund be properly reconciled on a monthly basis. In order to simplify the reconciling procedures, the County should handle all of their insurance and flex payments activity in separate accounts. Such activity should not be co-mingled with that of the payroll account, which will reduce the complexity of the reconciliations as well as ensure the proper handling of these funds. The County should also ensure that the revolving account maintain a zero or minimum positive cash balance at the end of the period.

County Judge/Executive Brad Schneider's Response:

The Treasurer's office is currently developing an in-house reconciliation procedure for the payroll account.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES****Fiscal Year Ended June 30, 2016****2016-003 The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors****Criteria:**

The Department of Local Government County Budget Preparation and State Local finance Officer Policy Manual requires monthly bank reconciliations, accurate ledger maintenance, and preparation of accurate quarterly financial statements. Ideally, the County would have segregated tasks related to handling, accounting for, and reconciling cash among several different individuals. Alternatively, compensating controls should be established to mitigate the risks resulting from a lack of segregation of duties, such as establishing an independent review over these functions.

Condition:

Cash, receipts, and disbursements were not properly and accurately reflected on the 4th Quarter Financial Statement as result of poor internal controls relating to segregation of duties and independent review in the cash, receipts, and disbursement areas. Because of these conditions, the 4th Quarter Financial Statement did not accurately reflect the position of the County.

This is a repeat finding as the condition was also present during the fiscal year ended June 30, 2015.

Cause:

The lack of segregation of duties over cash-related tasks such as receipts, disbursements, bank reconciliations, ledger postings, as well as preparation of the financial statement itself diminished the proper functioning of internal controls in these areas. In the performance of the audit, auditors discovered that control over these tasks was concentrated with the Treasurer who is responsible for receiving receipts, preparing deposits, posting to ledger, as well as reconciling the bank account. The lack of independent review over these tasks also prevents internal controls from functioning properly. Because no receipts listing is prepared and compared to deposits ledger by an independent person, the risks associated with the concentration of control cannot be mitigated and the risk of misstatement is elevated.

Effect:

Without properly functioning controls, material misstatements may occur on the financial statement as a result of lack of segregation of duties as well as independent review. In performing the audit, the auditors discovered the following:

- Individual funds were not properly reconciled (payroll).
- Cash balances had to be adjusted to properly reflect actual cash position of the County.
- Investments activity was not properly handled and documented.
- Bond Fund was not budgeted or included in the report.
- Health insurance plan activity was not properly accounted for.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

2016-003 The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors (Continued)

Recommendation:

The auditors recommend that the County segregates the tasks related to cash, receipts, and disbursements among a number of different individuals instead of concentrating these tasks with the Treasurer, or establish an environment where periodic reviews of the Treasurer's work are performed by another individual(s).

County Judge/Executive Brad Schneider's Response:

As job responsibilities become more familiar to those in these roles, compensating controls will be put in place to ensure adequate documentation and additional segregation of duties.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES****Fiscal Year Ended June 30, 2016****2016-004 Capital Assets Should Be Properly Handled and Documented****Criteria:**

While capital assets are not a part of the 4th Quarter Financial Statement, a disclosure in the form of a capital assets schedule and a note is required as part of the annual report. These disclosures should reflect the actual position of the County. Proper internal controls require the establishment and maintenance of an updated listing of capital assets that reflects accurately on the position of the County and that reconciles to the position of its individual departments.

Condition:

Activity related to capital assets was not properly handled and documented during the year because of poor functioning of control activities, monitoring, and oversight over these activities that would ensure an adequate maintenance of capital assets records. As a result, the capital assets records did not accurately reflect the actual position of the County and its individual departments.

This is a repeat finding as the condition was also present during the fiscal year ended June 30, 2015.

Cause:

Poor internal controls relating to the capital assets area combined with a lack of oversight caused the improper maintenance and reporting of capital assets balances. No updated capital assets listing was maintained by responsible officials and the absence of oversight failed to correct this deficiency. The capitalization policy as expressed in the audit report was also improperly applied and staff were not aware of its existence. Physical inventories of capital assets were taken on the department level but the reconciliation of individual departments' records to those of the County was inconsistent. Physical tracking of capital assets was also inadequate as assets were not tagged upon acquisition. As a result, the overall internal controls in the capital assets area were either non-existent or were not functioning properly.

Effect:

Consequently, the capital assets listing did not reflect accurately the actual position of the County, which caused the capital assets disclosure to be subject to significant adjustments by the auditors in an attempt to correct this situation. For instance, the capital assets listing was outdated and contained additions and disposals that should have been accounted for in prior years. Further, the listing balances did not agree to the balances maintained by the respective departments, specifically the Road and Bridge department. Assets were identified that were improperly capitalized and there was an instance of an error addition of an asset. Additionally, the capitalization completeness could not be properly tested by auditors as a result of discrepancies in record-keeping processes between the County and its individual departments, specifically the Road and Bridge department.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

2016-004 Capital Assets Should Be Properly Handled and Documented (Continued)

Recommendation:

The auditors suggest the following recommendations for the capital assets area:

- Maintain a capital assets listing that is up-to-date with the actual County position, and update such listing periodically.
- Review existing capitalization policy and communicate to personnel the capitalization thresholds and useful lives that need to be used.
- Communicate with Road and Bridge department on establishing a uniform system of processes relating to capitalization of road and bridge assets.
- Perform periodic inventory/movable asset count within each department on a consistent basis.
- Require that inventory counts be reconciled to individual departments' records.
- Require that department records be reconciled to County listing on a periodic basis and investigate differences when they are discovered.
- Perform a review of reconciliations periodically by an official other than the person responsible for the reconciliation itself.
- Establish and enforce a written document listing the policies and procedures relating to the handling and record-keeping of capital assets.

County Judge/Executive Brad Schneider's Response:

Progress is being made towards implementing a system for monitoring and reporting the county's capital assets.

**HENDERSON COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

2016-005 Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report

Criteria:

Ideally, the County should establish and maintain policies and procedures to ensure accurate reporting of debt balances that reflect on the actual position of the County. This includes a maintenance of an up-to-date debt schedule that is reviewed periodically.

Condition:

The balances of long-term liabilities reported on the 4th Quarter Financial Statement Report differed materially from the actual ending balances for both principal and interest.

This is a repeat finding as the condition was also present during the fiscal year ended June 30, 2015.

Cause:

Reported debt balances differed from actual debt balances as a result of poor internal controls relating to the liabilities area. The absence of a periodic reconciliation/review of report balances to County records resulted in balances being reported incorrectly and the absence of proper oversight prevented the County from correcting this deficiency.

Effect:

The ending principal balance per the 4th Quarter Report was overstated and the interest balance per the 4th Quarter Report was overstated as well. Reported principal and interest balances exceeded actual balances, in sum, by over \$970,000. Individual variances relating to the respective balances were higher but offset each other in total.

Recommendation:

The auditors recommend that the County establish and maintain a separate debt schedule that is updated periodically and reconciled to the report balances before reports are released. Variances should be investigated as they are discovered. The County should also perform reviews by a responsible individual other than the one performing the reconciliation on a periodic basis.

County Judge/Executive Brad Schneider's Response:

Procedures are being put in place for the current fiscal year to report balances more accurately.

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


HENDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2016**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
HENDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer