

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

**For The Year Ended
June 30, 2022**



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

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Brad Schneider, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

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, 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Henderson County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Henderson County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Henderson County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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 and pervasive.

Responsibilities of Management for the Financial Statement

Henderson County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Henderson County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Henderson County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, 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 solely 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 effectiveness of 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.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2022-001 The Henderson County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2022-002 The Henderson County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Misstated
- 2022-003 The Henderson County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing
- 2022-004 The Henderson County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State And Local Fiscal Recovery Fund (SLFRF) Requirements

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 1, 2022

HENDERSON COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Brad Schneider	County Judge/Executive
Keith Berry	Magistrate District 1
Beth Moran	Magistrate District 2
Tim Southard	Magistrate District 3
Billy "Butch" Puttman	Magistrate District 4
Charlie McCollom	Magistrate District 5

Other Elected Officials:

Steve Gold	County Attorney
Amy Brady	Jailer
Renessa Abner	County Clerk
Herbert McKee Jr.	Circuit Court Clerk (Appointed Asst Commonwealth Attorney April 2022)
Greg Sutton	Circuit Court Clerk (Appointed April 2022)
David Crafton	Sheriff
Andrew Powell	Property Valuation Administrator
Bruce Farmer	Coroner

Appointed Personnel:

Brenda Duncan-Rider	County Treasurer
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**HENDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 11,764,264	\$	\$
In Lieu Tax Payments	139,518		
Excess Fees	68,351		
Licenses and Permits	98,555		
Intergovernmental	3,661,577	2,521,089	5,693,625
Charges for Services		26,165	213,386
Miscellaneous	425,726	95,328	726,239
Interest	114,576	4,550	25,640
Total Receipts	<u>16,272,567</u>	<u>2,647,132</u>	<u>6,658,890</u>
DISBURSEMENTS			
General Government	7,458,855	241,220	
Protection to Persons and Property	335,190		5,581,503
General Health and Sanitation			
Social Services			
Recreation and Culture	7,348	432,470	
Roads		4,555,861	
Debt Service			
Capital Projects			
Administration	1,125,264	837,262	1,373,065
Total Disbursements	<u>8,926,657</u>	<u>6,066,813</u>	<u>6,954,568</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,345,910</u>	<u>(3,419,681)</u>	<u>(295,678)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,490,494	3,450,000	591,577
Transfers To Other Funds	(4,595,777)		
Total Other Adjustments to Cash (Uses)	<u>(3,105,283)</u>	<u>3,450,000</u>	<u>591,577</u>
Net Change in Fund Balance	4,240,627	30,319	295,899
Fund Balance - Beginning (Restated)	<u>19,734,435</u>	<u>322,030</u>	<u>6,572,703</u>
Fund Balance - Ending	<u>\$ 23,975,062</u>	<u>\$ 352,349</u>	<u>\$ 6,868,602</u>
Composition of Fund Balance			
Bank Balance	\$ 23,561,260	\$ 785,434	\$ 6,821,107
Less: Outstanding Checks	(765,467)	(433,085)	(252,505)
Certificates of Deposit	1,179,269		300,000
Fund Balance - Ending	<u>\$ 23,975,062</u>	<u>\$ 352,349</u>	<u>\$ 6,868,602</u>

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

HENDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Economic Development Fund	Clerks Storage Fund	American Rescue Plan Act Fund
\$	\$	\$	\$	\$	\$
140,270					
281,645	699,716				4,390,756
	50,408				
751			105		7,575
<u>422,666</u>	<u>750,124</u>		<u>105</u>		<u>4,398,331</u>
			60,000		
216,555					
335,440	143,375				
132,100	200,000				
11,600					
	27,016				
					800,000
<u>695,695</u>	<u>370,391</u>		<u>60,000</u>		<u>800,000</u>
(273,029)	379,733		(59,895)		3,598,331
494,300			59,900		
					(1,490,494)
<u>494,300</u>			<u>59,900</u>		<u>(1,490,494)</u>
221,271	379,733		5		2,107,837
68,681	190,606		9,053		4,391,178
<u>\$ 289,952</u>	<u>\$ 570,339</u>	<u>\$ 0</u>	<u>\$ 9,058</u>	<u>\$ 0</u>	<u>\$ 6,499,015</u>
\$ 300,035	\$ 572,574	\$	\$ 9,058	\$	\$ 6,499,015
(10,083)	(2,235)				
<u>\$ 289,952</u>	<u>\$ 570,339</u>	<u>\$ 0</u>	<u>\$ 9,058</u>	<u>\$ 0</u>	<u>\$ 6,499,015</u>

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

HENDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	<u>Unbudgeted Funds</u>			<u>Internal Service Fund</u>
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>	<u>Health Insurance Fund</u>
RECEIPTS				
Taxes	\$	\$	\$ 11,764,264	\$
In Lieu Tax Payments			139,518	
Excess Fees			68,351	
Licenses and Permits			238,825	
Intergovernmental	726,750		17,975,158	
Charges for Services			239,551	
Miscellaneous		1,191,121	2,488,822	1,694,996
Interest			153,197	
Total Receipts	<u>726,750</u>	<u>1,191,121</u>	<u>33,067,686</u>	<u>1,694,996</u>
DISBURSEMENTS				
General Government			7,760,075	
Protection to Persons and Property			6,133,248	
General Health and Sanitation			478,815	
Social Services			332,100	
Recreation and Culture		1,147,349	1,598,767	
Roads			4,555,861	
Debt Service	726,750		726,750	
Capital Projects			27,016	
Administration			4,135,591	1,882,968
Total Disbursements	<u>726,750</u>	<u>1,147,349</u>	<u>25,748,223</u>	<u>1,882,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		43,772	7,319,463	(187,972)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,086,271	
Transfers To Other Funds			(6,086,271)	
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		43,772	7,319,463	(187,972)
Fund Balance - Beginning (Restated)		1,140,057	32,428,743	1,973,097
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,183,829</u>	<u>\$ 39,748,206</u>	<u>\$ 1,785,125</u>
Composition of Fund Balance				
Bank Balance	\$	\$ 1,185,639	\$ 39,734,122	\$ 1,785,125
Less: Outstanding Checks		(1,810)	(1,465,185)	
Certificates of Deposit			1,479,269	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,183,829</u>	<u>\$ 39,748,206</u>	<u>\$ 1,785,125</u>

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

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**HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Henderson County 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 for and on behalf of, and as the agency and instrumentality of 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.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (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 governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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 state grants. The primary sources of receipts for this fund are grants from state government.

Federal Grants Fund - The primary purpose of this fund is to account for activity related to federal grants. The primary sources of receipts for this fund are grants from the federal government.

Economic Development Fund - The primary purpose of this fund is to account for activity related to development in the county. The primary sources of receipts for this fund are federal grant monies.

Clerk's Storage Fund - The primary purpose of this fund is to account for activity related to storage fees. The primary sources of receipts for this fund are storage fees collected by the county clerk.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for activity related to American Rescue Act passed in 2021. The primary sources of receipts for this fund are federal grant monies.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation 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. 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.

Internal Service Fund

Health Insurance Fund - The primary purpose of this fund is to account for the fiscal court's partially self-funded employee health insurance program.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

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

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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

E. Henderson County Elected Officials

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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 Joint Ventures

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 following is considered a related organization of the Henderson County Fiscal Court:

Four Star Industrial Development

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 retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Henderson County Fiscal Court:

Henderson City-County Planning Commission
 Tri-County Recycling
 Henderson City-County Airport Board
 Henderson Economic Development

Note 2. Deposits and Investments-

A. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

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 the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

The fiscal court had \$1,279,251 in traditional certificate of deposits (CDs) in which the market and cost basis are the same. The fiscal court also had \$200,018 of structured CDs. Structured CDs are a form of complex financial instruments called derivatives. These types of CDs derive their value from the value of other investments. For structured CDs, the performance of their derivative portion is often based on the value of a group of stock indexes. The value of the derivative can be engineered to rise or fall when that index rises or falls, allowing investors to base their CD return on the performance of a particular security or index of securities. Structured CDs do not earn interest, instead their values at maturity are based on the difference between the stock index at predefined starting and ending points. The amount paid at maturity will not be less than the amount of the original cost basis; however, the CDs must be held to maturity to at least get the cost basis back. The cost basis (as reported on the financial statement) of the structured CDs and the market value was \$200,018 and \$214,695, respectively.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	\$	\$ 1,490,494	\$ 1,490,494
Road Fund	3,450,000		3,450,000
LGEA Fund	494,300		494,300
Jail Fund	591,577		591,577
Economic Development Fund	59,900		59,900
Total Transfers Out	<u>\$ 4,595,777</u>	<u>\$ 1,490,494</u>	<u>\$ 6,086,271</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.

**HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)**

Note 4. Custodial Funds

Custodial 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 custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022 was \$107,357.

Note 5. Receivables

A. Airport

The 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 6) 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. The balance of the receivable at June 30, 2022, was \$118,633.

B. Reed Fire Department

The Henderson County Fiscal Court loaned \$50,000 to the Reed Volunteer Fire Department. This loan is to be paid back with an annual payment of \$5,000 with no interest added. The balance of the receivable at June 30, 2022, was \$14,983.

C. Just Storage

The Henderson County Fiscal Court loaned \$10,000 to Just Storage to start the business. This was a zero interest loan. The balance of the receivable at June 30, 2022, was \$1,637.

D. Boucherie Vineyards and Winery

The Henderson County Fiscal Court loaned \$10,000 to Boucherie Vineyards to start the business. This loan is to be paid back with a monthly payment of \$83 with no interest. The balance of the receivable at June 30, 2022, was \$748.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Lease Revenue Refunding Bonds, Series 2017 – Court Facility Project

The Henderson County Public Properties Corporation issued \$5,495,881 Lease Revenue Refunding Bonds, Series 2017 dated February 9, 2017, for the purpose of refunding and retiring the Court Facility – Series 2006 Bonds. Principal payments are due each year on February 1, in amounts indicated below starting February 1, 2018. Interest on the bonds will be payable semi-annually on February 1 and August 1 beginning August 1, 2017. The bonds contain a provision that in an event of default, the mortgage shall be enforced under the terms, include foreclosure of the liens created and sale of the project. The principal balance outstanding for the bond issues of June 30, 2022, was \$2,754,687. Annual debt service requirements to maturity are as follows:

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Lease Revenue Refunding Bonds, Series 2017 – Court Facility Project (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 664,274	\$ 59,226
2024	684,531	44,944
2025	694,061	30,226
2026	711,821	15,304
Totals	<u>\$ 2,754,687</u>	<u>\$ 149,700</u>

2. Airport Lease

The County of Henderson, Kentucky entered into a lease agreement with 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 percent. The lease will be paid in full on May 20, 2027. The lease contains a provision that in an event of default, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: (a) terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice; (b) sell or re-lease the project or any portion thereof; (c) recover from the lessee: (1) the lease rental payments which would otherwise have been payable hereunder during an period in which the lessee continues to use, occupy or obtain possession of the project, and (2) lease rental payments which would otherwise have been payable hereunder and after the lessee vacates or surrenders the project during the remainder of the fiscal year. The principal balance as of June 30, 2022, was \$118,633. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 21,327	\$ 4,885
2024	22,672	3,963
2025	24,103	2,979
2026	25,624	1,934
2027	24,907	799
Totals	<u>\$ 118,633</u>	<u>\$ 14,560</u>

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Gradall Lease

The County of Henderson, Kentucky entered into a lease agreement with Field and Main Bank on October 8, 2019, for the purpose of purchasing a 2019 Gradall. The principal amount of the loan was given directly to the vendor. The 2019 Gradall is collateral for the lease. The lease contains a provision that in an event of default, the lessee shall at its own cost, deliver the project to a location designated by lessor within ten days of the expiration or termination of the agreement. The lease amount was \$359,599. As of June 30, 2022, the debt has been paid in full.

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 3,701,133	\$	\$ 827,813	\$ 2,873,320	\$ 685,601
Total Long-term Debt	<u>\$ 3,701,133</u>	<u>\$ 0</u>	<u>\$ 827,813</u>	<u>\$ 2,873,320</u>	<u>\$ 685,601</u>

Beginning balance is restated by \$81, due to a prior year corrected confirmation.

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 685,601	\$ 64,110
2024	707,203	48,907
2025	718,164	33,205
2026	737,445	17,238
2027	24,907	799
Totals	<u>\$ 2,873,320</u>	<u>\$ 164,259</u>

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Commitments and Contingencies

A. Litigation

The county is involved in multiple lawsuits. 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.

B. Ambulance Service Agreement

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Deaconess 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, 2022 were \$48,668.

C. 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, 2022 were \$148,389.

D. 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, 2022, were \$368,440.

E. Henderson Economic Development

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for Henderson Economic Development, 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, 2022 were \$50,000.

Note 8. 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 (Ky. Ret. Sys.). 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. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. . The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$1,575,553, FY 2021 was \$1,538,755, and FY 2022 was \$1,849,553.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

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 Ky. Ret. Sys. 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 Ky. Ret. Sys. 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 26.95 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1(Continued)

Benefits are covered under KRS 78.5536.

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.

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 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. 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.

D. 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.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA 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.

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report (Continued)

KPPA 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 9. 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 the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 10. Health Reimbursement Account

The Henderson County Fiscal Court established a health reimbursement account in January 2017, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$750 (single health insurance plan) or \$1,500 (family health insurance plan) each year to pay for qualified medical expenses. The balance of the health reimbursement account as of June 30, 2022, that was held with the third-party administrator was \$100,603. The fiscal court also has a health reimbursement account at a local bank that had a balance of \$152,509, as of June 30, 2022. The account is used to pay out contributions and other costs related to the health reimbursement account.

Note 11. Insurance

For the fiscal year ended June 30, 2022, the Henderson 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.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 12. Conduit Debt

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

Note 13. Leases

A. Lessor

1. Jail Probation and Parole Office Space

On October 23, 2018, Henderson County began leasing office space to Jail Probation and Parole. The lease is for eight years and Henderson County will receive quarterly payments of \$12,279. Henderson County recognized \$49,117 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, Henderson County's receivable for lease payments was \$245,562.

2. Sandy Lee Watkins Park and Overton Farms

On March 8, 2019, Henderson County began leasing 200 acres of land to Overton Farms for the right to plant and harvest row crops. The lease is for four years and Henderson County will receive annual payments of \$223 per planted acre. Henderson County recognized \$44,600 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, Henderson County's receivable for lease payments was not yet determined.

3. Countrymark Energy Resources, LLC Oil and Gas Lease

On March 12, 2019, Henderson County began leasing a certain portion of land situated under the Ohio River that is the subject of an oil and gas lease with Countrymark Energy Resources, LLC. The lease is open ended and Henderson County will receive royalty payments. Henderson County recognized \$1,868 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, Henderson County's receivable for lease payments was not yet determined.

4. Deaconess Ambulance Building Space

On May 1, 2021, Henderson County began leasing the station located at 383 Borax Drive, Henderson, KY to Deaconess Hospital. The lease is ongoing and Henderson County receives \$1,251 in credit each month that is applied against leasing ambulance services. Henderson County recognized \$8,757 in credit during the current fiscal year related to this lease which will be applied against the monthly lease of services.

5. Pine Bluff Material Property and Dredging

In 2016, Henderson County began leasing to Pine Bluff Materials the right to dig, dredge, and remove the sand and gravel underlying a portion of the Ohio River. The lease is also for approximately 1.82 acres of land located on West Main Street in the City of Henderson. The lease is to expire on July 31, 2024, with the option to renew. Henderson County recognized \$19,350 in the current fiscal year related to this lease.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Leases (Continued)

A. Lessor (Continued)

6. Kentucky Real ID Office Space

On April 28, 2022, Henderson County began leasing temporary office space to the Kentucky Transportation Cabinet until the permanent space is completed. Henderson County recognized \$3,292 in lease revenue during the current fiscal year related to this lease.

B. Lessee

1. Deaconess Ambulance Service

On May 1, 2021, Henderson County entered into a one-year lease agreement as lessee for the use of ambulance services and equipment, with the option to extend. An initial lease liability was recorded in the amount of \$46,667 during the current fiscal year. This is the monthly payment of \$5,416, which is the service payment of \$6,667 applied against rent of \$1,251 received for Henderson County leasing office space to Deaconess. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year.

2. County Judge Executive Copier

On January 10, 2020, Henderson County entered into a three-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$2,691 during the current fiscal year, which is the monthly base payment of \$195 plus charges for use of color and/or black and white printing. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The base value of the outstanding payments is \$1,170.

Fiscal Year Ended June 30	Amount
2023	\$ 1,170
Total	\$ 1,170

3. County Treasurer Postage Machine

On October 7, 2019, Henderson County entered into a five-year lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$2,071 during the current fiscal year, which is the quarterly payment of \$518. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$4,142.

Fiscal Year Ended June 30	Amount
2023	\$ 2,071
2024	2,071
Total	\$ 4,142

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Leases (Continued)

B. Lessee (Continued)

4. Jail Copiers

On December 12, 2019, Henderson County entered into a five-year lease agreement as lessee for the use of five copiers. An initial lease liability was recorded in the amount of \$15,043 during the current fiscal year, which is the monthly base payment of \$1,295 plus charges for use of color and/or black and white printing. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The base value of the outstanding payments is \$7,785.

Fiscal Year Ended June 30	Amount
2023	\$ 7,785
Total	\$ 7,785

5. County Clerk Postage Machine

On September 5, 2018, Henderson County entered into a five-year lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$1,757 during the current fiscal year, which is the quarterly payment of \$439. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$1,757.

Fiscal Year Ended June 30	Amount
2023	\$ 1,757
Total	\$ 1,757

6. County Clerk Copiers

On June 18, 2018, Henderson County entered into a five-year lease agreement as lessee for the use of two copiers. An initial lease liability was recorded in the amount of \$3,597 during the current fiscal year, which is the monthly payment of \$327. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$3,270.

Fiscal Year Ended June 30	Amount
2023	\$ 3,270
Total	\$ 3,270

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 13. Leases (Continued)

B. Lessee (Continued)

7. Sheriff Copiers

On January 24, 2020, Henderson County entered into a three-year lease agreement as lessee for the use of a copier. An initial lease liability was recorded in the amount of \$2,942 during the current fiscal year, which is the monthly base payment of \$230 plus charges for use of color and/or black and white printing. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The base value of the outstanding payments is \$1,610.

Fiscal Year Ended June 30	Amount
2023	\$ 1,610
Total	\$ 1,610

8. Coroner Office Space

On July 1, 2021, Henderson County entered into a one-year lease agreement as lessee for the use of two offices for the coroner at Deaconess Hospital. An initial lease liability was recorded in the amount of \$3,089, which was paid at the end of prior fiscal year. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease was not renewed due to the hospital needing the extra space.

9. Emergency Management Office Space

On June 15, 2022, Henderson County entered into a five-year lease agreement as lessee for the use of office space for Emergency Management. An initial lease liability was recorded in the amount of \$1, during the current fiscal year, which is the annual payment due. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$4.

10. Administrative Office of the Courts Building Lease

On February 1, 2017, Henderson County Public Properties entered into a nine-year lease agreement as lessee for the use of office space for the Administrative Office of the Courts. An initial lease liability was recorded in the amount of \$726,750, during the current fiscal year, which is the annual payment and interest due. As of June 30, 2022, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$2,904,387.

Note 14. Related Party Transactions

- A. The Henderson County Fiscal Court under the Henderson County Rural Communities Revolving Loan Fund loaned a magistrate that took office in January 1, 2019, \$10,000 on December 27, 2012. The magistrate is paying the loan (interest free) back in monthly payments of \$83. The loan will be paid off February 1, 2023. The balance of the loan was \$748 as of June 30, 2022.
- B. The Henderson County Fiscal Court purchased IT support in the amount of \$3,120 from the current EMA Director.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 15. Tax Abatements

Columbia Sportswear: The ad valorem tax was abated under the authority of KRS 103.285. For fiscal year ended June 30, 2022, the amount of taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expires in 2025. The entity pays property taxes based on the original property assessment, \$16,000,000, when the agreement was signed.

Sitex Corporation: The ad valorem tax was abated under the authority of KRS 103.285. For fiscal year ended June 30, 2022, the amount of taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expires in 2025. The entity pays property taxes based on the original property assessment, \$2,111,000, when the agreement was signed.

Columbia Sportswear: The occupational license tax was abated under the authority of KRS 103.285. The agreement has been approved, however, it has not been activated as of June 30, 2022. For fiscal year ended June 30, 2022, the amount of taxes abated was \$0.

Note 16. Self- Insurance - Health

The Henderson County Fiscal Court elected to begin a partially self-funded health insurance plan as of April 1, 1997. County employees and the fiscal court contribute monthly toward the health insurance plan's costs. The county maintains one insurance plan with various levels of coverage (e.g., single, family, etc.). These plans offer many discounts that decrease the costs for both the employees and the fiscal court. The Riverport Authority employees also contribute to this fund. Henderson County contracted with Anthem Blue Cross Blue Shield as of January 1, 2012.

During fiscal year 2022, the Henderson County Fiscal Court's health insurance fund had a beginning balance of \$1,973,097. The fund received \$1,694,996 and disbursed \$1,882,968. The health insurance fund had a balance of \$1,785,125 as of June 30, 2022.

Note 17. Prior Period Adjustments

	General Fund	Jail Fund
Ending Cash Balance Prior Year	\$ 19,734,361	\$ 6,575,713
Adjustments:		
Prior Year Voided Checks		40
Miscellaneous	74	(3,050)
Beginning Fund Balance Restated	\$ 19,734,435	6,572,703

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

For The Year Ended June 30, 2022

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HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,775,000	\$ 9,775,000	\$ 11,764,264	\$ 1,989,264
In Lieu Tax Payments	131,190	131,190	139,518	8,328
Excess Fees	163,180	163,180	68,351	(94,829)
Licenses and Permits	85,000	85,000	98,555	13,555
Intergovernmental	2,961,410	2,961,410	3,661,577	700,167
Miscellaneous	229,000	229,000	425,726	196,726
Interest	48,000	48,000	114,576	66,576
Total Receipts	<u>13,392,780</u>	<u>13,392,780</u>	<u>16,272,567</u>	<u>2,879,787</u>
DISBURSEMENTS				
General Government	7,757,393	8,004,278	7,458,855	545,423
Protection to Persons and Property	391,855	391,855	335,190	56,665
Recreation and Culture	7,000	7,600	7,348	252
Administration	1,336,581	2,396,959	1,125,264	1,271,695
Total Disbursements	<u>9,492,829</u>	<u>10,800,692</u>	<u>8,926,657</u>	<u>1,874,035</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,899,951</u>	<u>2,592,088</u>	<u>7,345,910</u>	<u>4,753,822</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,490,494	1,490,494
Transfers To Other Funds	<u>(3,899,951)</u>	<u>(3,899,951)</u>	<u>(4,595,777)</u>	<u>(695,826)</u>
Total Other Adjustments to Cash (Uses)	<u>(3,899,951)</u>	<u>(3,899,951)</u>	<u>(3,105,283)</u>	<u>794,668</u>
Net Change in Fund Balance		(1,307,863)	4,240,627	5,548,490
Fund Balance - Beginning (Restated)			<u>19,734,435</u>	<u>19,734,435</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,307,863)</u>	<u>\$ 23,975,062</u>	<u>\$ 25,282,925</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,726,813	\$ 2,483,893	\$ 2,521,089	\$ 37,196
Charges for Services	34,000	34,000	26,165	(7,835)
Miscellaneous	36,000	528,200	95,328	(432,872)
Interest	2,000	2,000	4,550	2,550
Total Receipts	<u>1,798,813</u>	<u>3,048,093</u>	<u>2,647,132</u>	<u>(400,961)</u>
DISBURSEMENTS				
General Government	264,385	256,385	241,220	15,165
Recreation and Culture	449,926	449,926	432,470	17,456
Roads	3,520,933	4,859,244	4,555,861	303,383
Administration	909,320	859,320	837,262	22,058
Total Disbursements	<u>5,144,564</u>	<u>6,424,875</u>	<u>6,066,813</u>	<u>358,062</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,345,751)</u>	<u>(3,376,782)</u>	<u>(3,419,681)</u>	<u>(42,899)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>3,345,751</u>	<u>3,345,751</u>	<u>3,450,000</u>	<u>104,249</u>
Total Other Adjustments to Cash (Uses)	<u>3,345,751</u>	<u>3,345,751</u>	<u>3,450,000</u>	<u>104,249</u>
Net Change in Fund Balance		(31,031)	30,319	61,350
Fund Balance - Beginning			<u>322,030</u>	<u>322,030</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (31,031)</u>	<u>\$ 352,349</u>	<u>\$ 383,380</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 5,915,001	\$ 5,915,001	\$ 5,693,625	\$ (221,376)
Charges for Services	80,500	80,500	213,386	132,886
Miscellaneous	839,117	839,117	726,239	(112,878)
Interest	60,000	60,000	25,640	(34,360)
Total Receipts	<u>6,894,618</u>	<u>6,894,618</u>	<u>6,658,890</u>	<u>(235,728)</u>
DISBURSEMENTS				
Protection to Persons and Property	7,265,515	7,327,315	5,581,503	1,745,812
Administration	2,233,018	2,171,218	1,373,065	798,153
Total Disbursements	<u>9,498,533</u>	<u>9,498,533</u>	<u>6,954,568</u>	<u>2,543,965</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,603,915)</u>	<u>(2,603,915)</u>	<u>(295,678)</u>	<u>2,308,237</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			591,577	591,577
Total Other Adjustments to Cash (Uses)			<u>591,577</u>	<u>591,577</u>
Net Change in Fund Balance	(2,603,915)	(2,603,915)	295,899	2,899,814
Fund Balance - Beginning (Restated)	<u>2,603,915</u>	<u>2,603,915</u>	<u>6,572,703</u>	<u>3,968,788</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,868,602</u>	<u>\$ 6,868,602</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 100,000	\$ 100,000	\$ 140,270	\$ 40,270
Intergovernmental	140,000	140,000	281,645	141,645
Miscellaneous	900	900		(900)
Interest	100	100	751	651
Total Receipts	<u>241,000</u>	<u>241,000</u>	<u>422,666</u>	<u>181,666</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	224,000	229,600	216,555	13,045
General Health and Sanitation	346,100	358,100	335,440	22,660
Social Services	134,600	134,600	132,100	2,500
Recreation and Culture	9,600	12,100	11,600	500
Bus Services	20,000	20,000		20,000
Administration	1,000	1,000		1,000
Total Disbursements	<u>735,300</u>	<u>755,400</u>	<u>695,695</u>	<u>59,705</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(494,300)</u>	<u>(514,400)</u>	<u>(273,029)</u>	<u>241,371</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>494,300</u>	<u>494,300</u>	<u>494,300</u>	
Total Other Adjustments to Cash (Uses)	<u>494,300</u>	<u>494,300</u>	<u>494,300</u>	
Net Change in Fund Balance		(20,100)	221,271	241,371
Fund Balance - Beginning			68,681	68,681
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (20,100)</u>	<u>\$ 289,952</u>	<u>\$ 310,052</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 570,508	\$ 570,508	\$ 699,716	\$ 129,208
Miscellaneous		2,100	50,408	48,308
Total Receipts	<u>570,508</u>	<u>572,608</u>	<u>750,124</u>	<u>177,516</u>
DISBURSEMENTS				
General Government	175,000	306,500		306,500
General Health and Sanitation	184,492	186,592	143,375	43,217
Social Services	210,000	210,000	200,000	10,000
Capital Projects	<u>27,016</u>	<u>27,016</u>	<u>27,016</u>	
Total Disbursements	<u>596,508</u>	<u>730,108</u>	<u>370,391</u>	<u>359,717</u>
Net Change in Fund Balance	(26,000)	(157,500)	379,733	537,233
Fund Balance - Beginning	<u>26,000</u>	<u>26,000</u>	<u>190,606</u>	<u>164,606</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (131,500)</u>	<u>\$ 570,339</u>	<u>\$ 701,839</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 200,000	\$ 200,000	\$	\$ (200,000)
Total Receipts	<u>200,000</u>	<u>200,000</u>	<u></u>	<u>(200,000)</u>
DISBURSEMENTS				
Administration	200,000	200,000	<u></u>	<u>200,000</u>
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u></u>	<u>200,000</u>
Net Change in Fund Balance				
Fund Balance - Beginning	<u></u>	<u></u>	<u></u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 100	\$ 100	\$ 105	\$ 5
Total Receipts	100	100	105	5
DISBURSEMENTS				
General Government	60,000	60,000	60,000	
Total Disbursements	60,000	60,000	60,000	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(59,900)	(59,900)	(59,895)	5
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	59,900	59,900	59,900	
Total Other Adjustments to Cash (Uses)	59,900	59,900	59,900	
Net Change in Fund Balance			5	5
Fund Balance - Beginning			9,053	9,053
Fund Balance - Ending	\$ 0	\$ 0	\$ 9,058	\$ 9,058

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 4,390,756	\$ 4,390,756	\$ 4,390,756	\$
Interest	20,000	20,000	7,575	(12,425)
Total Receipts	<u>4,410,756</u>	<u>4,410,756</u>	<u>4,398,331</u>	<u>(12,425)</u>
DISBURSEMENTS				
Administration	8,801,513	7,311,019	800,000	6,511,019
Total Disbursements	<u>8,801,513</u>	<u>7,311,019</u>	<u>800,000</u>	<u>6,511,019</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,390,757)</u>	<u>(2,900,263)</u>	<u>3,598,331</u>	<u>6,498,594</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,490,494)	(1,490,494)
Total Other Adjustments to Cash (Uses)			<u>(1,490,494)</u>	<u>(1,490,494)</u>
Net Change in Fund Balance	(4,390,757)	(2,900,263)	2,107,837	5,008,100
Fund Balance - Beginning	<u>4,390,757</u>	<u>4,390,757</u>	<u>4,391,178</u>	<u>421</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,490,494</u>	<u>\$ 6,499,015</u>	<u>\$ 5,008,521</u>

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

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

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

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**HENDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

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**HENDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program:</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ _____	\$ 2,290,494
Total U.S. Department of Treasury			_____	2,290,494
<u>Delta Regional Authority</u>				
<i>Direct Program:</i>				
States' Economic Development Assistance Program	90.204		\$ _____	\$ 306,500
Total Delta Regional Authority			_____	306,500
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grants/State's Program	14.228	2100001855	\$ 199,000	\$ 199,000
Community Development Block Grants/State's Program	14.228	2100001855	1,000	1,000
Total U.S. Department of Housing and Urban Development			200,000	200,000
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Emergency Management:</i>				
Emergency Management Performance Grant	97.042	SC 095200000513	\$ _____	\$ 24,892
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			264,080
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			127,816
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			97,882
Total U.S. Department of Homeland Security			_____	514,670
<u>U. S. Department of Health and Human Services</u>				
<i>Passed-Through State Health and Human Services Cabinet:</i>				
Child Support Enforcement	93.563		\$ _____	\$ 77,303
Total U.S. Department of Health and Human Services			_____	77,303

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2022
(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Justice</u>				
<i>Passed-Through Department of Justice and Public Safety Cabinet:</i>				
Crime Victim Assistance	16.575		\$ _____	\$ 43,419
Total U.S. Department of Justice			_____	43,419
Total Expenditures of Federal Awards			\$ 200,000	\$3,432,386

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Henderson County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Henderson County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Henderson County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Henderson County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,003,581	\$ 119,833	\$	\$ 1,123,414
Buildings and Building Improvement	24,941,952	346,857		25,288,809
Vehicles and Equipment	9,845,018	979,320	140,054	10,684,284
Jail Vehicles and Equipment	518,963	47,252		566,215
Infrastructure	15,523,204	1,303,026		16,826,230
 Total Capital Assets	 <u>\$ 51,832,718</u>	 <u>\$ 2,796,288</u>	 <u>\$ 140,054</u>	 <u>\$ 54,488,952</u>

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

June 30, 2022

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Vehicles and Equipment (includes Jail Commissary)	\$ 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***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

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, 2022, 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 December 1, 2022.

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) as a basis for designing 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 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 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)

Internal Control Over Financial Reporting (Continued)

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-002 and 2022-003 to be significant deficiencies.

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 financial statement. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 1, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Henderson County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Henderson County Fiscal Court's major federal programs for the year ended June 30, 2022. The Henderson County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Henderson County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Henderson County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Henderson County Fiscal Court's compliance with the compliance requirements referred to above.



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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Henderson County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Henderson County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Henderson County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Henderson County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Henderson County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Henderson County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

Report on Internal Control over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on Henderson County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Henderson County Fiscal Court's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

December 1, 2022

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:
Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings

2022-001 The Henderson County Fiscal Court Did Not Have Adequate Controls Over Disbursements

During fiscal year 2022, the Henderson County Fiscal Court had material weaknesses in internal control and noncompliances over disbursements. The following findings were noted in regard to the Henderson County Fiscal Court's disbursements:

- Fourteen of 88 invoices totaling \$310,765 that were examined during testing were not paid within 30 days.
- There were four instances found in testing where lump-sum expenses in the amount of \$210 were paid to employees to reimburse phone usage.
- Eighteen of the 88 invoices tested totaling \$1,092,863 had purchase orders dated after the invoices were received.
- One equipment purchase in the amount of \$30,887 was not properly bid in accordance with the county's adopted procurement procedures.
- There was not adequate documentation for one \$37 transaction on a credit card statement.
- Records including bill lists and other documents that were submitted to the fiscal court for review were not included in the permanent record of the fiscal court.

According to the county treasurer and finance officer, the findings listed above were due to an oversight and a software anomaly. The lump-sum expenses are monthly phone expenses reimbursed to employees. The equipment purchased at the end of the year was thought to be on the state contract, however, it was not on state contract and failed to follow the bidding procedures. Vendor claims reports are submitted to the fiscal court for approval at meetings and kept in the county treasurer's office.

Failure to pay obligations timely (within 30 days) is indicative of poor financial management practices and can result in late fees and finance charges, which are a poor use of taxpayer resources. Also, by not maintaining itemized invoices, purchases could be made, which are personal in nature. When failing to maintain adequate documentation, the fiscal court is increasing their risk of paying invoices for goods or services that are unallowable or that were not provided to the county. Additionally, the county was not in compliance with various statutes when providing lump sum expenses, not properly documenting purchase orders, not following bidding procedures, or keeping fiscal court records with the minutes as a permanent record.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and each county is responsible for ensuring their purchase order system is executed and working properly.

According to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*". Furthermore, "DLG highly recommends that counties accept the practice of issuing POs for payroll and utility claims.

KRS 65.140(2), states, in part, "all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor's invoice[.]"

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-001 The Henderson County Fiscal Court Did Not Have Adequate Controls Over Disbursements
(Continued)

KRS 64.710 states, “[n]o public officer or employee shall receive or be allowed or paid any lump sum expense allowance, or contingent fund for personal or official expenses, except where such allowance or fund either is expressly provided for by statute or is specifically appropriated by the General Assembly.”

KRS 424.260(1), states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional; involving an expenditure of more than thirty thousand (\$30,000) without first making newspaper advertisement for bids.” The Henderson County Purchasing Procedure states, “[a]ll purchases over \$20,000 shall be bid pursuant to KRS 424.260. (With the exception of professional services and state contract pricing.)”

KRS 67.100 states, “(1) The fiscal court is a court of record. Minutes of the proceedings of each meeting shall be prepared and submitted for approval at the next succeeding meeting. (2) Every official action of the fiscal court shall be made a part of the permanent records of the county.” Additionally, the county’s administrative code states, “the clerk of the fiscal court shall...keep a full and complete record of its proceedings.”

Good internal controls dictate that adequate supporting documentation be maintained for all disbursements and credit card transactions. All vendor invoices and receipts should be maintained including any additional supporting documentation and agreed to the corresponding purchase order and reports.

We make the following recommendations to the fiscal court:

- All invoices should be paid within 30 days in accordance with KRS 65.140(2).
- No employee shall be paid any lump sum expense in accordance with KRS 64.710.
- Internal control procedures regarding purchase orders should be strengthened by requiring purchase orders be issued prior to purchases being made or services rendered in accordance with DLG requirements and KRS 68.210.
- Any expenditure over \$30,000 shall follow bidding procedures in accordance with KRS 424.260.
- Proper documentation should be maintained for all disbursements to properly support claims.
- All fiscal court records and actions should be filed with fiscal court minutes as a permanent record of the county in accordance with KRS 67.100.

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-001 The Henderson County Fiscal Court Did Not Have Adequate Controls Over Disbursements
(Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: 2022-001 (1) The Treasurer's Office processes/pays invoices when forwarded from the internal departments. The court does not pay the majority of invoices until the approval of the Fiscal Court, sometimes causing a conflict between the invoice due date and the court date. The Treasurer's Office will continue to work with departments that work with vendors to ensure payments are made within the due date based on Fiscal Court meeting dates and the 30-day window.

2022-001 (2) Monthly checks are currently issued to key personnel for reimbursement of personal cell phone usage for business purposes. The court will examine possible options for this, that fall under a qualified reimbursement plan.

2022-001 (3) Due to a software glitch, changes have been made with the purchase order vendor to correct the date issue. The purchase order number has been changed to reflect the date the purchase was requested.

2022-001 (4) The Treasurer's office continues to work closely with department heads to gain a better understating of the purchasing, the bid process, and the \$30,000 threshold as stated in the county's procurement procedures. Early 2023 all county departments should be using the same purchase order system, providing improved continuity within the county's procurement system.

2021-001 (5) Due to an oversight, the \$37 transaction on a credit card statement did have supporting documentation attached, but not as detailed as deemed necessary.

2022-001 (6) The permanent record of the fiscal court has been changed to include bill lists submitted for court approval.

2022-002 The Henderson County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Misstated

The Henderson County Fiscal Court's original schedule of expenditures of federal awards was misstated by \$645,842, requiring adjustments to the county's federal awards schedule. The total adjustments are made up of the following errors made on the following programs:

- Assistance Listing Number 21.027 – \$433,917 was not included on the schedule of expenditures of federal awards that were expensed in fiscal year 2022.
- Assistance Listing Number 11.307 – \$99,425 was included on the schedule of expenditures of federal awards that were expensed in fiscal year 2020 and 2021. This amount should not have been included on the schedule of expenditures of federal awards in fiscal year 2022.
- Assistance Listing Number 90.401 – \$112,500 of election equipment reimbursement amount was included on the schedule of expenditures of federal awards that were expensed in fiscal year 2020. This amount should not have been included on the schedule of expenditures of federal awards in fiscal year 2022.

According to the county treasurer, all monies expended from the *Coronavirus State and Local Fiscal recovery Funds* were recorded incorrectly due to lack of guidance and misunderstanding of the guidance provided the Treasury Department. In addition, the treasurer failed to verify that the monies expended from the Economic Adjustment Assistance Program in the prior year were not included on the current year SEFA. Lastly, the county treasurer mistakenly treated a receipt amount which was reimbursement for election equipment through Help America Vote Act as an expenditure. The equipment was purchased in fiscal year 2020. As a result of the errors made and lack of effective operating controls, the original schedule of federal expenditures of federal awards was misstated. Furthermore, the fiscal court is not in compliance with 2 CFR 200.510(b).

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-002 The Henderson County Fiscal Court's Schedule Of Expenditures Of Federal Awards Was Misstated
(Continued)

Strong internal controls over financial reporting are vital in ensuring that federal awards expended are accounted for and reported properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with all requirements and guidance. Additionally, 2 CFR 200.510(b) states, "[t]he auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended."

We recommend the Henderson County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent true federal expenditures during the year.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: 2 of the 3 findings relate closely to the receipt of funds not typical in previous years and confusion existed with the US Treasury continuing updates. The Treasurer continues to gain knowledge and understanding to ensure that federal expenditures are allowable and fall within the correct period of performance. The Treasurer and Fiscal Court Clerk continue to work with departments with regards to tracking and recording of federal funds, to avoid including expenditures in the wrong fiscal year.

2022-003 The Henderson County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing

The following findings were noted during testing of Henderson County Fiscal Court's payroll:

- Timesheets were not completed or maintained for two employees.
- Judge's office employees took time off without using any leave time.
- Judge's office employees leave time balance maintained without any review and supervisor approval.
- Ten employees' timesheets do not support actual hours worked and paid.
- County Personnel Policy does not address where clerk's office employees can select to get paid for overtime or accumulate towards compensatory time.

Based on county records there was a lack of segregation of duties over payroll preparation and no independent review of payroll items before processing and disbursing payroll. Due to the lack of internal controls over payroll, payments for payroll were not properly supported. Failure to maintain timesheets resulted in the county not being in compliance with KRS 337.320.

Strong internal controls over payroll and timekeeping are vital in ensuring the payroll amounts are calculated and accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them, as well as helping make certain the county is in compliance with state statutes and Henderson County Administrative Code.

Lastly, KRS 337.320(1) requires employers to maintain a record of "[t]he hours worked each day and each week by each employee."

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-003 The Henderson County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing (Continued)

We make the following recommendations to address these findings:

- Documentation of each employee of the county, including the appropriate hourly rate for hourly employees and monthly or yearly amounts for all salaried employees, should be presented to the fiscal court for approval and included in the fiscal court minutes as a matter of public record in accordance with the Henderson County Administrative Code.
- Fiscal court should strengthen controls over the payroll process by requiring all county employees to maintain a timesheet that is approved by a supervisor.
- The county also should develop and strengthen controls over maintaining leave balance reports for judge's office employees to ensure the employees are being paid for actual hours worked and to protect the county's assets.
- Furthermore, we recommend the fiscal court consult with the county attorney to review the county's administrative code to determine what a full-time salaried employee's hours of work consist of to ensure all employees are eligible for full time benefits of the county. We recommend addressing this by each department separately if a full time employee's total hours per week varies between departments.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: 2022-003 (1) Documentation has been provided showing that there was significant timekeeping detail for one employee, prior to the audit. Misunderstanding of the requirement being asked may have stemmed from the change in the sample tested.

2022-003 (2) & (3) Both our current Human Resources specialist and our former Finance Officer, who handled payroll, agreed that the key members of my staff fit the U.S. Department Labor's Division of Wage and Hour criteria to be classified as Salary Exempt employees and therefore not eligible for overtime pay. As such, we believed their hours and leave time were not based strictly on time sheets and not a "lack of internal controls" as stated in the audit finding. An internal survey of several counties showed they also treated some or all of their judge's staff as Salary Exempt, so we thought we were correct in our classification of my staff's classification. We were informed by our auditors that my staff should be classified as Salary Non-Exempt, should require timesheets and much stricter leave time oversight. While we are confused why so many other counties treat their judge's staff as Salary Exempt, we will change our classification to Salary Non-Exempt and comply with the requirements spelled out by our auditors.

2022-003 (4) The 10 employees referenced were, we believe, members of the County Clerk's staff who routinely put in their office's business hours, 8 a.m. to 4:30 p.m., on their timesheets because that had been the accepted practice in that office for decades without objection from the State Auditor's Office. In fact the County Clerk's team regularly works from before 8 until after 4:30 and also takes turns covering lunch hours and extended office hours on Fridays that last until 6 p.m., all resulting in 40 hours of actual work each week. We have consulted with the County Clerk and advised her to have the exact times worked each pay period by her employees and not just put the rote "8 to 4:30" listing on their timesheets.

2022-003 (5) We will update the County Personnel Policy to reflect the ability of clerk's office employees to choose either overtime or comp time.

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-003 The Henderson County Fiscal Court Does Not Have Adequate Internal Controls Over Payroll Processing (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

Auditor's Reply:

1. The Henderson County finance office paid two employees without having obtained timesheets. Detail was received by the finance office for one employee after the audit was complete.
2. The Henderson County Judge/Executive was offered guidance that he should contact the U.S. Department of Labor for clarification of employee designations. That office is the oversight agency for wage and labor issues, not other counties governing bodies.
3. The Henderson County Judge's office and financial staff erroneously included hours they did not work on timesheets submitted for payment. While staff was leaving after lunch on Fridays, their timesheets documented that they worked the entire day. There was no documentation of review of office employee leave balances by an appropriate supervisor.
4. KRS 337.320(1) requires employers to maintain a record of "[t]he hours worked each day and each week by each employee."

Section III: Federal Award Findings And Questioned Costs

2022-004 The Henderson County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State And Local Fiscal Recovery Fund (SLFRF) Requirements

Federal Program: 21.027 Covid 19-Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year: 2022

Name of Federal Agency: U.S. Department of the Treasury

Compliance Requirements Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$0

COVID Related: Yes

The Henderson County Fiscal Court transferred federal funds from the ARPA fund to the general fund without first ensuring sufficient supporting documentation of allowable expenditures during the same period as the funds were reported as expended on the Schedule of Expenditures of Federal Awards (SEFA).

The county was awarded \$8,781,513 in American Rescue Plan Act (ARPA) funds, receiving the first payment of \$4,390,756 into the ARPA fund in June 2021 and a second payment of \$4,390,757 in June 2022. In September 2021, the county transferred \$1,490,494 from the ARPA fund into the general fund for "lost revenue". At the time of the transfer, and until auditors inquired about the supporting documentation, the county did not maintain a list of expenditures that reconciled to the transfer total. After this inquiry, the county gathered documentation and provided auditors a reconciliation of expenditures of eligible costs that supported the amount transferred into the general fund.

An effective internal control system was not in place in Henderson County to ensure compliance with requirements related to the administration of ARPA funds and the Allowable Costs/Cost Principles compliance requirements.

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section III: Federal Award Findings And Questioned Costs

2022-004 The Henderson County Fiscal Court Did Not Establish And Maintain Effective Internal Controls Over Compliance With Coronavirus State And Local Fiscal Recovery Fund (SLFRF) Requirements
(Continued)

Failure to establish and maintain effective internal controls over compliance with federal program requirements could subject the county to the risk of reporting ineligible expenditures on the SEFA and using grant funds for unallowable purposes.

2 CFR 200.303 states in part: “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

We recommend the county establish and maintain internal controls over compliance for all federal program expenditures to ensure accurate use and reporting of federal awards, including maintaining sufficient supporting documentation of expenditures that reconciles to any transfer from a federal program fund into other county funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We disagree with the audit assessment that the county did not have an "effective internal control system" for compliance with Coronavirus State and Local Fiscal Recovery Fund Requirements. Faced with the unique situation surrounding these funds, the lack of any formal guidance from the State Auditor's Office on expending the funds before they arrived, and the often confusing and contradictory guidance provided by various state organizations and consultants, we believe Henderson County attempted to correctly and conscientiously handle these monies with the best information we had at the time. We found it interesting that shortly after the initial word from our auditors that we did not administer the funds properly, the State Auditor's Office then issued guidelines for counties. In our exit interview we were told the negative finding language covering our use of these funds would likely appear as findings in the audits of dozens of other counties who also made unwitting mistakes. We believe the after-the-fact guidelines and nearly universal adverse findings for counties indicate that it wasn't local officials who failed to do the proper thing but were, in fact, evidence the State Auditor's Office that failed to do its job. Simply put, if we'd been told in advance by state auditors specifically how they wanted these federal funds accounted for, we'd have done that. Minus that information, were left to figure it all out on our own as best we could. We respectfully believe our efforts should not be described as failures or non-compliance.

Auditor’s Reply: It is the fiscal court’s management’s responsibility to know the federal funding requirements and comply with them. 2 CFR 200.303 states, “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Henderson County’s financial management failed to implement an adequate system of internal controls due to a lack of understanding of the requirements spelled out by the U.S. Department of the Treasury. While the Auditor of Public Accounts (APA) offers guidance when possible, the APA’s role, as set forth in KRS 43.075, is to “determine whether the fiscal court or county official is complying with the requirements of the uniform system of accounts adopted under KRS 68.210, whether there is accurate recording of receipts by source and expenditures by payee, and whether or not each official is complying with all other legal requirements relating to the management of public funds by his office, including all publication requirements.” Consequently, APA fully complied with its statutory and regulatory duties in conducting this audit.

**HENDERSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section IV: Summary Schedule of Prior Audit Findings

Not Applicable.

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

HENDERSON COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
HENDERSON COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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