

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

**For The Fiscal Year Ended  
June 30, 2015**



**MYRIAD CPA GROUP, LLC**

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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**HENDERSON COUNTY FISCAL COURT**

**June 30, 2015**

Myriad CPA Group, LLC has completed the audit of the Henderson County Fiscal Court for the fiscal year ended June 30, 2015.

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

In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Henderson County Fiscal Court's major federal program: CFDA # 14.228.

**Financial Condition:**

The Henderson County Fiscal Court had total receipts of \$24,523,583 and disbursements of \$24,985,008 in fiscal year 2015. This resulted in a total ending fund balance of \$5,470,405, which is a decrease of \$517,427 from the prior year.

**Report Comments:**

- |          |  |
|----------|--|
| 2015-001 | Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements                    |
| 2015-002 | Fiscal Court Investments Should Be Properly Handled and Documented   |
| 2015-003 | The Payroll Revolving Account Was Not Properly Reconciled  |
| 2015-004 | Self-Insurance Costs Were Not Properly Allocated To All Funds Or Departments   |
| 2015-005 | The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors |
| 2015-006 | Transfer of Cash From Jail Fund to General Fund Was Not Properly Handled   |
| 2015-007 | Capital Assets Should Be Properly Handled and Documented   |
| 2015-008 | Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report   |

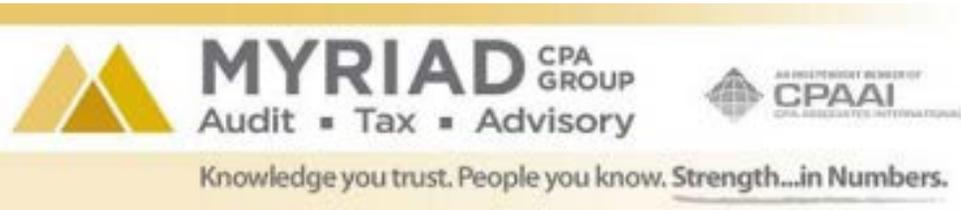
**Deposits:**

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

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

Independent Auditors' Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Henderson County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

As described in more fully in Note 1 of the financial statement, the financial statement is prepared by Henderson County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Henderson County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Henderson County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Henderson County Fiscal Court. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The schedule of expenditure of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement.

To the People of Kentucky  
 Honorable Matthew G. Bevin, Governor  
 William M. Landrum III, Secretary  
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 Members of the Henderson County Fiscal Court

*Supplementary Information (Continued)*

The budgetary comparison schedules, capital asset schedule, 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, capital asset schedule, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017 on our consideration of Henderson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the schedule of findings and questioned costs included herein, which discuss the following report comments:

2015-001	Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements
2015-002	Fiscal Court Investments Should Be Properly Handled and Documented
2015-003	The Payroll Revolving Account Was Not Properly Reconciled
2015-004	Self-Insurance Costs Were Not Properly Allocated To All Funds Or Departments
2015-005	The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors
2015-006	Transfer of Cash From Jail Fund to General Fund Was Not Properly Handled
2015-007	Capital Assets Should Be Properly Handled and Documented
2015-008	Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report

Respectfully submitted,



Myriad CPA Group, LLC  
 November 17, 2017

HENDERSON COUNTY FISCAL COURT OFFICIALS

For The Year Ended June 30, 2015

**Fiscal Court Members:**

Donald Hugh McCormick	County Judge/Executive
George Warren	Magistrate
Bruce Todd	Magistrate
Charles Alexander	Magistrate
Butch Puttman	Magistrate
Carter Wilkerson	Magistrate

**Other Elected Officials:**

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

**Appointed Personnel:**

Rebecca I. Carroll	County Treasurer
Brenda Duncan-Rider	Finance Officer

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

**For The Year Ended June 30, 2015**

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

**For The Year Ended June 30, 2015**

	<b>Budgeted Funds</b>					
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Economic Development Fund</b>
<b>RECEIPTS</b>						
Taxes	\$ 5,854,742	\$ -	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	390,863	-	-	-	-	-
Excess Fees	76,861	-	-	-	-	-
Licenses and Permits	121,807	-	-	101,280	-	-
Intergovernmental	3,113,910	2,414,834	6,800,313	997,973	331,090	615,755
Charges for Services	-	61,763	145,264	-	-	-
Miscellaneous	129,761	741,089	598,883	60,524	-	-
Interest	9,787	159	21,903	14,080	12,460	18
Total Receipts	<u>9,697,731</u>	<u>3,217,845</u>	<u>7,566,363</u>	<u>1,173,857</u>	<u>343,550</u>	<u>615,773</u>
<b>DISBURSEMENTS</b>						
General Government	7,100,929	-	-	100,000	-	594,444
Protection to Persons and Property	615,675	-	5,358,479	350,305	26,469	-
General Health and Sanitation	-	279,975	-	357,276	-	-
Social Services	-	380,421	-	294,408	248,750	-
Recreation and Culture	-	-	-	21,000	-	-
Roads	67,997	3,406,290	-	301,440	-	-
Bus Services	-	-	-	68,433	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	43,583	-	-	-	-	-
Administration	693,892	1,009,843	1,240,263	33	-	900
Total Disbursements	<u>8,522,076</u>	<u>5,076,529</u>	<u>6,598,742</u>	<u>1,492,895</u>	<u>275,219</u>	<u>595,344</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,175,655</u>	<u>(1,858,684)</u>	<u>967,621</u>	<u>(319,038)</u>	<u>68,331</u>	<u>20,429</u>
<b>Other Adjustments to Cash (Uses)</b>						
Payroll Revolving Account	(56,002)	-	-	-	-	-
Transfers From Other Funds	550,000	2,300,000	-	340,000	-	100,000
Transfers To Other Funds	(2,100,000)	(140,000)	(1,545,300)	-	-	(50,000)
Total Other Adjustments to Cash (Uses)	<u>(1,606,002)</u>	<u>2,160,000</u>	<u>(1,545,300)</u>	<u>340,000</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	(430,347)	301,316	(577,679)	20,962	68,331	70,429
Fund Balance - Beginning (Restated)	3,117,342	55,645	2,039,270	513,549	15,438	2,846
Fund Balance - Ending	<u>\$ 2,686,995</u>	<u>\$ 356,961</u>	<u>\$ 1,461,591</u>	<u>\$ 534,511</u>	<u>\$ 83,769</u>	<u>\$ 73,275</u>
<b>Composition of Fund Balance</b>						
Bank Balance	\$ 509,276	\$ 383,434	\$ 1,489,157	\$ 71,990	\$ 83,769	\$ 92,435
Less: Outstanding Checks	(84,680)	(26,473)	(27,566)	(37,479)	-	(19,160)
Certificate of Deposits	2,262,399	-	-	500,000	-	-
Fund Balance - Ending	<u>\$ 2,686,995</u>	<u>\$ 356,961</u>	<u>\$ 1,461,591</u>	<u>\$ 534,511</u>	<u>\$ 83,769</u>	<u>\$ 73,275</u>

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

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

**For The Year Ended June 30, 2015**

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>	<u>Internal Service Funds</u>
	<u>General Obligation Bond Fund</u>	<u>Public Properties Debt Service Fund</u>	<u>Jail Commissary Fund</u>		<u>Health Insurance Fund</u>
<b>RECEIPTS</b>					
Taxes	\$ -	\$ -	\$ -	\$ 5,854,742	\$ -
In Lieu Tax Payments	-	-	-	390,863	-
Excess Fees	-	-	-	76,861	-
Licenses and Permits	-	-	-	223,087	-
Intergovernmental	-	722,040	-	14,995,915	-
Charges for Services	-	-	1,186,423	1,393,450	-
Miscellaneous	-	-	-	1,530,257	2,040,093
Interest	-	1	-	58,408	-
Total Receipts	<u>-</u>	<u>722,041</u>	<u>1,186,423</u>	<u>24,523,583</u>	<u>2,040,093</u>
<b>DISBURSEMENTS</b>					
General Government	-	-	-	7,795,373	-
Protection to Persons and Property	-	-	-	6,350,928	-
General Health and Sanitation	-	-	-	637,251	-
Social Services	-	-	-	923,579	-
Recreation and Culture	-	-	1,158,440	1,179,440	-
Roads	-	-	-	3,775,727	-
Bus Services	-	-	-	68,433	-
Debt Service	545,300	720,463	-	1,265,763	-
Capital Projects	-	-	-	43,583	-
Administration	-	-	-	2,944,931	2,132,003
Total Disbursements	<u>545,300</u>	<u>720,463</u>	<u>1,158,440</u>	<u>24,985,008</u>	<u>2,132,003</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(545,300)</u>	<u>1,578</u>	<u>27,983</u>	<u>(461,425)</u>	<u>(91,910)</u>
<b>Other Adjustments to Cash (Uses)</b>					
Payroll Revolving Account	-	-	-	(56,002)	-
Transfers From Other Funds	545,300	-	-	3,835,300	-
Transfers To Other Funds	-	-	-	(3,835,300)	-
Total Other Adjustments to Cash (Uses)	<u>545,300</u>	<u>-</u>	<u>-</u>	<u>(56,002)</u>	<u>-</u>
Net Change in Fund Balance	-	1,578	27,983	(517,427)	(91,910)
Fund Balance - Beginning (Restated)	11,640	2,556	229,546	5,987,832	223,947
Fund Balance - Ending	<u>\$ 11,640</u>	<u>\$ 4,134</u>	<u>\$ 257,529</u>	<u>\$ 5,470,405</u>	<u>\$ 132,037</u>
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 11,640	\$ 4,134	\$ 257,934	\$ 2,903,769	\$ 132,037
Less: Outstanding Checks	-	-	(405)	(195,763)	-
Certificate of Deposits	-	-	-	2,762,399	-
Fund Balance - Ending	<u>\$ 11,640</u>	<u>\$ 4,134</u>	<u>\$ 257,529</u>	<u>\$ 5,470,405</u>	<u>\$ 132,037</u>

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

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TO THE FINANCIAL STATEMENT**

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**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT**  
**June 30, 2015**

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

**A. Reporting Entity**

The financial statement of Henderson County Fiscal Court includes all budgeted and unbudgeted funds under the control of the Henderson County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

**HENDERSON COUNTY FISCAL COURT  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
June 30, 2015**

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

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

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

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

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

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

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

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board* and according to the laws of Kentucky as required by the State Local Finance Officer.

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

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

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

**D. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

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

**E. Henderson County Fiscal Court Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Henderson County Fiscal Court. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Henderson County Fiscal Court.

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

**F. Deposits and Investments**

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

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

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Total Transfers In
General Fund	\$ -	\$ -	\$ 500,000	\$ 50,000	\$ 550,000
Road Fund	1,800,000	-	500,000	-	2,300,000
LGEA Fund	200,000	140,000	-	-	340,000
Economic Development Fund	100,000	-	-	-	100,000
General Obligation Bond Fund	-	-	545,300	-	545,300
Total Transfers Out	<u>\$ 2,100,000</u>	<u>\$ 140,000</u>	<u>\$ 1,545,300</u>	<u>\$ 50,000</u>	<u>\$ 3,835,300</u>

Reason for transfers:

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

**Note 4. Amounts Due To and Due From Other Funds**

As of June 30, 2015, there was \$500,000 due to the Jail Fund from the Road Fund. This amount was transferred from the Jail Fund to the Road Fund in FY 2015 for budgetary purposes and transferred back to the Jail Fund in FY 2016.

As of June 30, 2015, there was \$500,000 due to the Jail Fund from the General Fund. The fiscal court intends to transfer this amount back to the Jail Fund before the end of FY 2018.

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 5. Agency Trust Funds**

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$167,341.

**Note 6. Assets Held For Resale**

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles and Equipment	\$ -	\$ 261,780	\$ 261,780	\$ -
Total	\$ -	\$ 261,780	\$ 261,780	\$ -

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on July 7, 2014 for the purpose of financing the purchase of trucks for the road department. These trucks were held for resale and were sold prior to June 30, 2015. the lease amount was \$261,780. The lease was paid in full on June 23, 2015.

**Note 7. Short-term Debt**A. Mack Trucks - Held For Resale

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on July 7, 2014 for the purpose of financing the purchase of trucks for the road department. These trucks were held for resale and were sold prior to June 30, 2015. The lease amount was \$261,780. The lease was paid in full on June 23, 2015.

B. Changes in Short-Term Debt

Short-term debt activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ -	\$ 261,780	\$ 261,780	\$ -	\$ -
Total Short-term Debt	\$ -	\$ 261,780	\$ 261,780	\$ -	\$ -

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 8. Receivables**A. Airport Receivable

Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007 for the purpose of funding an airport expansion (See Note 8D) project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. Henderson County has recognized the debt and the receivable. The balance of the receivable at June 30, 2015 was \$236,384.

B. Reed Fire Department Receivable

During the fiscal year 2013, Henderson County Fiscal Court loaned the Reed Volunteer Fire Department \$50,000. This loan was to be paid back with an annual payment of \$5,000 with no interest added starting in 2013. As a result, the balance available for Reed's Fire Department in the appropriations ledger was to be reduced by \$5,000 every year. As of June 30, 2015, the balance of the receivable was \$35,000.

**Note 9. Long-term Debt**A. Courts Facility - Series 2006 Bonds

The Henderson County Public Properties Corporation entered into a bond issue, Henderson County Public Properties Corporation Lease Revenue Refunding Bonds (Court Facility Project), Series 2006 on December 1, 2006, for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds. The issue amount of the bonds was \$9,670,000. Interest on the bonds is payable semi-annually on February 1 and August 1 of each year. The bonds will mature on February 1 of each year thereafter. The outstanding balance as of June 30, 2015 was \$6,410,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2016	\$ 485,000	\$ 243,788
2017	500,000	226,206
2018	520,000	207,956
2019	535,000	188,717
2020	555,000	168,921
2021-2025	3,115,000	507,043
2026	700,000	27,125
Totals	<u>\$ 6,410,000</u>	<u>\$ 1,569,756</u>

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 9. Long-term Debt (Continued)**

B. Refunding Bonds - Series 2012

Henderson County Fiscal Court issued \$1,865,000 General Obligation Refunding Bonds, Series 2012 dated May 2012, for the purpose of refunding and retiring a portion of the County's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2012. Interest on the bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2012. The principal balance outstanding for the bond issue as of June 30, 2015 was \$1,460,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Interest
2016	\$ 175,000	\$ 25,050
2017	175,000	23,300
2018	180,000	21,200
2019	180,000	18,750
2020	185,000	15,870
2021-2023	565,000	24,930
Totals	<u>\$ 1,460,000</u>	<u>\$ 129,100</u>

C. Refunding Bonds - Series 2013

Henderson County Fiscal Court issued \$3,335,000 General Obligation Refunding Bonds, Series 2013 dated September 2013, for the purpose of refunding and retiring a portion of the County's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2014. Interest on the bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2014. The principal balance outstanding for the bond issue as of June 30, 2015 was \$2,770,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2016	\$ 320,000	\$ 68,100
2017	325,000	61,700
2018	335,000	55,200
2019	345,000	48,500
2020	345,000	40,737
2021-2023	1,100,000	65,863
Totals	<u>\$ 2,770,000</u>	<u>\$ 340,100</u>

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 9. Long-term Debt (Continued)**

D. Airport Lease

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

Fiscal Year Ended June 30th	Principal	Scheduled Interest
2016	\$ 13,896	\$ 9,996
2017	14,773	9,389
2018	15,705	8,749
2019	16,696	8,064
2020	17,749	7,348
2021-2025	107,033	24,156
2026-2027	50,532	2,733
Totals	<u>\$ 236,384</u>	<u>\$ 70,435</u>

E. Changes In Long-term Debt

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2006 Revenue Refunding Bonds	\$ 6,870,000	\$ -	\$ 460,000	\$ 6,410,000	\$ 485,000
2012 General Obligation Bonds	1,635,000	-	175,000	1,460,000	175,000
2013 General Obligation Bonds	3,040,000	-	270,000	2,770,000	320,000
Financing Obligations	249,455	-	13,071	236,384	13,896
Total Long-term Debt	<u>\$ 11,794,455</u>	<u>\$ -</u>	<u>\$ 918,071</u>	<u>\$ 10,876,384</u>	<u>\$ 993,896</u>

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 10. Commitments and Contingencies**

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

A. Industrial Revenue Bonds

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

B. Ambulance Service Agreement

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a countywide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this agreement for fiscal year ended June 30, 2015 were \$306,287.

C. Recycling Interlocal Agreement

In response to KRS 224.830 and reducing solid waste stream at municipal landfills by 25%, the County of Henderson entered into an Interlocal Agreement with Union and Webster Counties and the Cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expenses of this organization. The County is responsible for 22.5% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for fiscal year ended June 30, 2015, were \$13,195.

D. West Kentucky Regional Industrial Development Authority-Kenergy Loan Guarantee

In 2003, Henderson County in conjunction with Webster, Union, and McLean Counties issued an ordinance, which guarantees a portion of the \$450,000, zero-interest rural development loan made to Kenergy from the West Kentucky Regional Industrial Development Authority, to assist in promoting development of the 4Star Industrial Park. Henderson County authorized a guarantee of \$150,000. Webster County also guaranteed \$150,000 and Union and McLean Counties each guaranteed \$75,000. This guaranty was said to continue until the entire loan was paid in full.

E. 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, 2015, was \$279,273.

**HENDERSON COUNTY FISCAL COURT  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
June 30, 2015**

**Note 10. Commitments and Contingencies (Continued)**

F. 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, 2015 was \$130,305.

G. KYNDLE (Formerly Northwest KY Forward)

The Henderson County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for KYNDLE, which is a joint venture between the Fiscal Court and City of Henderson to assist and promote Henderson County. Expenses incurred under this agreement for fiscal year ended June 30, 2015 was \$100,000.

H. Community United Methodist Hospital – Conduit Debt

The County issued \$7,200,000 in revenue bonds in fiscal year 2013 to enable a non-profit corporation to finance the acquisition of medical equipment. The bonds do not constitute an indebtedness or pledge of faith and credit of the County; therefore, no obligation is recorded on the County's long-term debt note in Note 8.

**Note 11. Employee Retirement System**

A. Plan Description

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

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 the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

The county's contribution for FY 2013 was \$1,283,809, FY 2014 was \$1,336,362, and FY 2015 was \$1,293,119.

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

**HENDERSON COUNTY FISCAL COURT  
NOTES TO THE FINANCIAL STATEMENT (CONTINUED)  
June 30, 2015**

**Note 11. Employee Retirement System (Continued)**

CERS also provides post retirement health care coverage as follows:

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

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

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.

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

The complete KRS actuarial valuation report including all actuarial assumptions and methods is publically available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described in the paragraph above.

**Note 12. Deferred Compensation**

The Henderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**June 30, 2015**

**Note 13. Self-Insurance - Health**

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

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed and administrative costs for fiscal year ending June 30, 2015 were \$322,487. The second component is the claims cost, all of which Henderson County is responsible to pay as they incur. Once an individual exceeds \$75,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. These amounts are netted on the bill the County receives. Incurred claims for fiscal year ended June 30, 2015 were \$1,809,564. Henderson County Fiscal Court's contract with Anthem Blue Cross Blue Shield has no terminal liability provisions. The Court will be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$132,037 as of June 30, 2015.

**Note 14. Insurance**

For the fiscal year ended June 30, 2015, Henderson County Fiscal Court County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 15. Payroll Revolving Account**

The reconciled balance of the Payroll Revolving Account as of June 30, 2015, was added to the General Fund cash balance for financing reporting purposes.

**Note 16. Prior Period Adjustments**

	General Fund	Road Fund	Jail Fund
Ending Cash Balance Prior Year	\$ 3,114,864	\$ 55,006	\$ 2,033,795
Adjustments:			
Prior Year Voided Checks	<u>2,478</u>	<u>639</u>	<u>5,475</u>
Beginning Cash Balance Restated	<u>\$ 3,117,342</u>	<u>\$ 55,645</u>	<u>\$ 2,039,270</u>

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

**For The Year Ended June 30, 2015**

**HENDERSON COUNTY FISCAL COURT  
BUDGETARY COMPARISON SCHEDULES  
Supplementary Information - Regulatory Basis  
For The Year Ended June 30, 2015**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 5,826,700	\$ 5,826,700	\$ 5,854,742	\$ 28,042
In Lieu Tax Payments	372,617	372,617	390,863	18,246
Excess Fees	120,000	120,000	76,861	(43,139)
Licenses and Permits	146,300	146,300	121,807	(24,493)
Intergovernmental	3,068,593	3,068,593	3,113,910	45,317
Charges for Services	2,016	2,016	-	(2,016)
Miscellaneous	103,050	103,050	129,761	26,711
Interest	25,000	25,000	9,787	(15,213)
Total Receipts	<u>9,664,276</u>	<u>9,664,276</u>	<u>9,697,731</u>	<u>33,455</u>
<b>DISBURSEMENTS</b>				
General Government	7,344,345	7,343,090	7,100,929	242,161
Protection to Persons and Property	602,909	683,702	615,675	68,027
Roads	69,913	69,913	67,997	1,916
Capital Projects	335,000	213,444	43,583	169,861
Administration	664,557	706,575	693,892	12,683
Total Disbursements	<u>9,016,724</u>	<u>9,016,724</u>	<u>8,522,076</u>	<u>494,648</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>647,552</u>	<u>647,552</u>	<u>1,175,655</u>	<u>528,103</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	-	-	550,000	550,000
Transfers To Other Funds	(2,530,000)	(2,530,000)	(2,100,000)	430,000
Total Other Adjustments to Cash (Uses)	<u>(2,530,000)</u>	<u>(2,530,000)</u>	<u>(1,550,000)</u>	<u>980,000</u>
Net Change in Fund Balance	(1,882,448)	(1,882,448)	(374,345)	1,508,103
Fund Balance - Beginning (Restated)	<u>1,882,448</u>	<u>1,882,448</u>	<u>3,117,342</u>	<u>1,234,894</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742,997</u>	<u>\$ 2,742,997</u>

**HENDERSON COUNTY FISCAL COURT**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,214,808	\$ 2,214,808	\$ 2,414,834	\$ 200,026
Charges for Services	40,000	40,000	61,763	21,763
Miscellaneous	211,000	211,000	741,089	530,089
Interest	250	250	159	(91)
Total Receipts	<u>2,466,058</u>	<u>2,466,058</u>	<u>3,217,845</u>	<u>751,787</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	309,280	293,422	279,975	13,447
Social Services	287,830	385,651	380,421	5,230
Roads	3,831,698	3,416,703	3,406,290	10,413
Administration	676,811	1,009,843	1,009,843	-
Total Disbursements	<u>5,105,619</u>	<u>5,105,619</u>	<u>5,076,529</u>	<u>29,090</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,639,561)</u>	<u>(2,639,561)</u>	<u>(1,858,684)</u>	<u>780,877</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	2,500,000	2,500,000	2,300,000	(200,000)
Transfers To Other Funds			(140,000)	(140,000)
Total Other Adjustments to Cash (Uses)	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,160,000</u>	<u>(340,000)</u>
Net Change in Fund Balance	(139,561)	(139,561)	301,316	440,877
Fund Balance - Beginning (Restated)	<u>139,561</u>	<u>139,561</u>	<u>55,645</u>	<u>(83,916)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,961</u>	<u>\$ 356,961</u>

**HENDERSON COUNTY FISCAL COURT**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 5,867,188	\$ 5,887,188	\$ 6,800,313	\$ 913,125
Charges for Services	72,800	120,800	145,264	24,464
Miscellaneous	347,400	502,400	598,883	96,483
Interest	7,500	7,500	21,903	14,403
Total Receipts	<u>6,294,888</u>	<u>6,517,888</u>	<u>7,566,363</u>	<u>1,048,475</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	4,843,468	5,359,167	5,358,479	688
Debt Service	575,000	546,730	-	-
Administration	1,479,392	1,326,963	1,240,263	86,700
Total Disbursements	<u>6,897,860</u>	<u>7,232,860</u>	<u>6,598,742</u>	<u>87,388</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(602,972)</u>	<u>(714,972)</u>	<u>967,621</u>	<u>1,135,863</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	-	-	(1,545,300)	(1,545,300)
Total Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>	<u>(1,545,300)</u>	<u>(1,545,300)</u>
Net Change in Fund Balance	(602,972)	(714,972)	(577,679)	137,293
Fund Balance - Beginning (Restated)	<u>602,972</u>	<u>714,972</u>	<u>2,039,270</u>	<u>1,324,298</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,461,591</u>	<u>\$ 1,461,591</u>

**HENDERSON COUNTY FISCAL COURT**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 90,000	\$ 90,000	\$ 101,280	\$ 11,280
Intergovernmental	1,035,500	1,035,500	997,973	(37,527)
Miscellaneous	31,000	31,000	60,524	29,524
Interest	7,500	7,500	14,080	6,580
Total Receipts	<u>1,164,000</u>	<u>1,164,000</u>	<u>1,173,857</u>	<u>9,857</u>
<b>DISBURSEMENTS</b>				
General Government	115,000	100,533	100,000	533
Protection to Persons and Property	391,500	366,702	350,305	16,397
General Health and Sanitation	345,100	357,276	357,276	-
Social Services	302,935	312,651	294,408	18,243
Recreation and Culture	22,000	22,000	21,000	1,000
Roads	300,000	301,440	301,440	-
Bus Services	32,500	68,433	68,433	-
Capital Projects	20,000	-	-	-
Administration	1,000	1,000	33	967
Total Disbursements	<u>1,530,035</u>	<u>1,530,035</u>	<u>1,492,895</u>	<u>37,140</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(366,035)</u>	<u>(366,035)</u>	<u>(319,038)</u>	<u>46,997</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	-	-	340,000	340,000
Total Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>340,000</u>
Net Change in Fund Balance	(366,035)	(366,035)	20,962	386,997
Fund Balance - Beginning	<u>366,035</u>	<u>366,035</u>	<u>513,549</u>	<u>147,514</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 534,511</u>	<u>\$ 534,511</u>

**HENDERSON COUNTY FISCAL COURT**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

	<b>STATE GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 700,000	\$ 700,000	\$ 331,090	\$ (368,910)
Interest	-	-	12,460	12,460
Total Receipts	700,000	700,000	343,550	(356,450)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	450,000	450,000	26,469	423,531
Social Services	250,000	250,000	248,750	1,250
Total Disbursements	700,000	700,000	275,219	424,781
Net Change in Fund Balance			68,331	68,331
Fund Balance - Beginning	-	-	15,438	15,438
Fund Balance - Ending	\$ -	\$ -	\$ 83,769	\$ 83,769

**HENDERSON COUNTY FISCAL COURT**  
**BUDGETARY COMPARISON SCHEDULES (CONTINUED)**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

	<b>ECONOMIC DEVELOPMENT FUND</b>			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 900,000	\$ 900,000	\$ 615,755	\$ (284,245)
Interest	-	-	18	18
Total Receipts	<u>900,000</u>	<u>900,000</u>	<u>615,773</u>	<u>(284,227)</u>
<b>DISBURSEMENTS</b>				
General Government	900,000	900,000	594,444	305,556
Administration	30,000	30,000	900	29,100
Total Disbursements	<u>930,000</u>	<u>930,000</u>	<u>595,344</u>	<u>334,656</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>20,429</u>	<u>50,429</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	30,000	30,000	100,000	70,000
Transfers To Other Funds			<u>(50,000)</u>	<u>(50,000)</u>
Total Other Adjustments to Cash (Uses)	<u>30,000</u>	<u>30,000</u>	<u>50,000</u>	<u>20,000</u>
Net Change in Fund Balance			70,429	70,429
Fund Balance - Beginning	-	-	<u>2,846</u>	<u>2,846</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,275</u>	<u>\$ 73,275</u>

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**  
**June 30, 2015**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board* and according to the laws of Kentucky as required by the State Local Finance Officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Disbursements Exceeding Budgeted Appropriations**

In the year ended June 30, 2015, there were no disbursement items exceeding their respective budgeted amounts.

**Note 3. Reconciliation of the General Fund**

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (1,550,000)
To adjust for Payroll Revolving Account	<u>(56,002)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (1,606,002)</u></u>
Fund Balance - Ending - Budgetary Basis	\$ 2,742,997
To adjust for Payroll Revolving Account	<u>(56,002)</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 2,686,995</u></u>

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**HENDERSON COUNTY FISCAL COURT  
SUPPLEMENTARY SCHEDULE  
Supplementary Information - Regulatory Basis  
For The Year Ended June 30, 2015**

**HENDERSON COUNTY FISCAL COURT  
SCHEDULE OF CAPITAL ASSETS  
Supplementary Information - Regulatory Basis  
For The Year Ended June 30, 2015**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 583,213	\$ 25,000	\$ -	\$ 608,213
Buildings and Building Improvements	21,281,219	616,200	-	21,897,419
Vehicles and Equipment	7,610,926	312,736	86,745	7,836,917
Equipment - Jail	65,690	29,265	-	94,955
Infrastructure	8,889,568	1,352,845	-	10,242,413
 Total Capital Assets	 <u>\$ 38,430,616</u>	 <u>\$ 2,336,046</u>	 <u>\$ 86,745</u>	 <u>\$ 40,679,917</u>

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**  
**June 30, 2015**

**Note 1. Capital Assets**

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

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

**HENDERSON COUNTY FISCAL COURT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2015**

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipient
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through State Department for Local Government:</i>				
14.228	Community Development Block Grants/State's Program	13-025 **	\$ 469,081	\$ -
14.228	Community Development Block Grants/State's Program	14-003 **	248,750	248,750
<b>Total U.S. Department of Housing and Urban Development</b>			<u>717,831</u>	<u>248,750</u>
<b><u>U.S. Department of Transportation</u></b>				
<i>Passed-Through State Department of Transportation:</i>				
20.600	State and Community Highway Safety	n/a	8,645	-
<b>Total U.S. Department of Transportation</b>			<u>8,645</u>	<u>-</u>
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed-Through State Department of Military Affairs:</i>				
97.042	Emergency Management Performance Grants	n/a	25,572	-
<b>Total U.S. Department of Homeland Security</b>			<u>25,572</u>	<u>-</u>
<b><u>Delta Regional Authority</u></b>				
<i>Direct Grant:</i>				
90.201	Delta Area Economic Development	KY-11420	30,064	-
<b>Total Delta Regional Authority</b>			<u>30,064</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 782,112</u>	<u>\$ 248,750</u>

\*\* Tested as Major Program

**HENDERSON COUNTY FISCAL COURT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2015**

Note 1 - Basis for Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Henderson County Fiscal Court, Kentucky and is presented on a regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. The Community Development Block Grants/State's Program is classified as a Type A program. The major program tested was all Community Development Block Grant/State's Program.

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year ended June 30, 2015.

Note 4 - Subrecipients

Federal awards were passed through to the following subrecipient.

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Community Development Block Grants/State's Program	14.228	Women's Addiction Recovery Manor	\$ <u>248,750</u>

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



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

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

**Independent Auditors' Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court for the fiscal year ended June 30, 2015, 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 November 17, 2017. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, and 2015-008 to be material weaknesses.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-007 to be a significant deficiency.

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

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Henderson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and questioned costs as items 2015-001, 2015-003, and 2015-004.

### **County Judge/Executive's Response to Findings**

The Henderson County Fiscal Court Judge/Executive and Jailer's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County Judge/Executive and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink that reads "Myriad CPA Group, LLC". The signature is written in a cursive, flowing style.

Myriad CPA Group, LLC  
November 17, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**



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

Report On Compliance For Each Major Federal Program  
And On Internal Control Over Compliance  
In Accordance With OMB Circular A-133

Independent Auditors' Report

**Report on Compliance for Each Major Federal Program**

We have audited Henderson County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Henderson County Fiscal Court's major federal programs for the year ended June 30, 2015. Henderson County Fiscal Court's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Henderson County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Henderson County Fiscal Court's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, Henderson County Fiscal Court complied, in all material respects, with the types of 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, 2015.

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With OMB Circular A-133  
(Continued)

**Report on Internal Control over Compliance**

Management of Henderson County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henderson County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson County Fiscal Court's internal control over compliance.

*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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Myriad CPA Group, LLC". The signature is written in a cursive, flowing style.

Myriad CPA Group, LLC  
November 17, 2017

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

**For The Year Ended June 30, 2015**

**HENDERSON COUNTY FISCAL COURT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2015**

**Section I: Summary of Auditors' Results**

		<u>Results</u>
a.	Type of auditors' report issued on financial statements:	Modified
b.	Internal control over financial reporting:	
	*Material weaknesses identified?	Yes
	*Significant deficiencies identified that are not considered to be material weaknesses?	Yes
c.	Noncompliance material to financial statements noted?	Yes
d.	Internal control over major programs:	
	*Material weakness(es) identified?	No
	*Significant deficiencies identified that are not considered to be material weaknesses?	None reported
e.	Type of auditors' report issued on compliance for major programs?	Unmodified
f.	Any audit findings that are required to be reported in accordance with 510 (a) of Circular A-133?	No
g.	Identification of major programs:	
	CFDA #14.228 - Community Development Block Grants/State's Program	\$ 717,831
h.	Dollar threshold used to distinguish between Type A and Type B programs.	\$ 300,000
i.	Does Henderson County Fiscal Court qualify as a low risk auditee?	No

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit**

**2015-001 Quarterly Financial Reports Presented to Fiscal Court and The Department For Local Government Should Accurately Reflect Cash, Receipts, and Disbursements**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**County Judge/Executive Brad Schneider's Response:**

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

**HENDERSON COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS****Fiscal Year Ended June 30, 2015****Section II: Findings - Financial Statement Audit (Continued)****2015-002 Fiscal Court Investments Should Be Properly Handled and Documented****Criteria:**

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and state Local finance Officer Policy Manual, requires books of original entry to be maintained for receipts and expenditures of all transactions of the fiscal court. Ideally, the County should maintain an investment ledger or journal that is subject to periodic review by an official other than those responsible for the ledger maintenance.

**Condition:**

Activity related to investments was not properly handled and documented during the year under the audit because there were no monitoring or oversight activities that would ensure an adequate maintenance of investment records. As a result, the risk of material misstatement in this area was elevated.

**Cause:**

No investments ledger was prepared and maintained by responsible officials and the absence of these activities was not corrected during the year because of a lack of oversight over these functions.

**Effect:**

Investments activity and balances were not properly handled and documented. Because activity in the investments area was not monitored, the investments balances were subject to risk of misstatement due to both error and fraud. Since no oversight was exercised over the investments, the balances could be liquidated without the County's knowledge. Further, the changes in investments balances were not properly handled as a result of a lack of documentation. For instance, the transfer of funds from a matured certificate of deposit in the Jail Fund to the General Fund was incorrectly accounted for during the year.

**Recommendation:**

The auditors recommend that the County establish an investments ledger where investments activity is recorded during the year and a periodic review is performed where balances in the ledger are compared to supporting documentation by an independent individual(s) to ensure accuracy. The County could also establish written policies and procedures for handling the changes (i.e. transfers) in investments in order to ensure proper record-keeping in the future.

**County Judge/Executive Brad Schneider's Response:**

*Progress is being made towards implementing a system for maintaining an investment ledger and documentation of the balances.*

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-003 The Payroll Revolving Account Was Not Properly Reconciled**

**Criteria:**

The Department of Local Government County Budget Preparation and State Local Finance Officer Policy Manual requires monthly bank reconciliations. The payroll account should be reconciled on a monthly basis in a manner that ensures accuracy and appropriate reporting.

**Condition:**

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

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**County Judge/Executive Brad Schneider's Response:**

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

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-004 Self-Insurance Costs Were Not Properly Allocated To All Funds Or Departments**

**Criteria:**

KRS 68.210 requires accurate subsidiary ledgers and journals. Ideally, a separate fund should be established for self-insurance activity to properly segregate the movements of funds within the account from other types of payments. Losses should have been paid from the funds and activities that incurred them. Ideally, a loss reserve should be established in the self-insurance fund to cover potential future losses.

**Condition:**

The self-insurance activity for the year resulted in a net decrease in cash balance because total disbursements exceeded total deposits. As a result, the County covered the resulting insurance losses with a transfer of monies from the General Fund.

**Cause:**

Because payments from a number of different funds, the County Attorney's Office, and the Riverport were co-mingled in the self-insurance account, these payments were not properly allocated to their respective funds or accounts. Since the activity in the self-insurance account was not monitored properly, it was subject to an elevated risk of misappropriation.

**Effect:**

The General Fund monies were used to cover a portion of the losses in the self-insurance account. Payments were not allocated properly to their respective funds because they were co-mingled in the self-insurance account, resulting in an inaccurate reporting position.

**Recommendation:**

The auditors recommend that the County establish and maintain a separate budgeted fund for the self-insurance activity. This will enable the County to track and monitor monies paid in and paid out and will decrease the likelihood of error and risk of misappropriation. As a budgeted fund, the activity would also be subject to a more frequent review by responsible officials. Further, the County should establish a loss reserve in the self-insurance fund that will cover future situations where disbursements exceed the respective contributions.

**County Judge/Executive Brad Schneider's Response:**

*For the current fiscal year each department is contributing an additional percentage towards health insurance costs, to cover premiums and claims. Efforts are being made towards segregating health insurance from the payroll fund, creating a separate fund with a reserve for these costs.*

**County Jailer Ron Harrington's Response:**

*I was not aware of the excess medical expenses until reviewing the audit.*

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-005 The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

- Individual funds were not properly reconciled (payroll, economic development).
- Cash balances had to be adjusted to properly reflect actual cash position of the County.
- Investments activity was not properly handled and documented.
- Bond Fund and Public Properties Fund were not budgeted or included in the report.
- No Schedule of Federal Awards was prepared.
- Health insurance plan activity was not properly accounted for.

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-005 The Lack of Adequate Segregation of Duties Over Receipts, Cash, Bank Reconciliations, Ledger Postings, and Financial Statement Preparation Caused Financial Reporting Errors (Continued)**

**Recommendation:**

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

**County Judge/Executive Brad Schneider's Response:**

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

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-006 Transfer of Cash From Jail Fund to General Fund Was Not Properly Handled**

**Criteria:**

All transfers should be approved by the fiscal court prior to their occurrence and the transfer itself should be properly documented in the cash or investments records as well as the transfer schedule of the County. This will ensure that accurate ending balances are reported by the County.

**Condition:**

A certificate of deposit of \$500,000 in the Jail Fund was liquidated into cash on 8/20/2014 and the funds were subsequently transferred to the General Fund. The transfer was not reflected in the County records or on the schedule of transfers. The ending balances of the respective funds did not reflect accurately on the cash position of the County.

**Cause:**

The improper handling of the transfer activity resulted from a lack of control activities as well as oversight over the cash receipts, disbursements, bank reconciliation, ledger posting, and financial statement preparation areas. Because of the absence of an independent review, the error was not discovered during the year.

**Effect:**

As a result, the Jail Fund ending balance was overstated by \$500,000 and the General Fund ending balance was understated by the same amount. The actual transfer was not approved by the fiscal court, either. The lack of review and approval caused the transfer error to remain uncovered.

**Recommendation:**

The auditors recommend that the County establish procedures to ensure that all transfer activity is approved by the fiscal court and properly handled with regards to record-keeping. To prevent future errors, an improvement in internal controls with regards to independent review and oversight will be necessary.

**County Judge/Executive Brad Schneider's Response:**

*Such actions will not happen again and the funds will be transferred back to the Jail Fund before the end of FY 2018, per the current Judge Executive.*

**County Jailer Ron Harrington's Response:**

*I was not aware the certificate of deposit matured, much less deposited into the general fund.*

**HENDERSON COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS****Fiscal Year Ended June 30, 2015****Section II: Findings - Financial Statement Audit (Continued)****2015-007 Capital Assets Should Be Properly Handled and Documented****Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

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

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-007 Capital Assets Should Be Properly Handled and Documented (Continued)**

**Recommendation:**

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

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

**County Judge/Executive Brad Schneider's Response:**

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

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

**Fiscal Year Ended June 30, 2015**

**Section II: Findings - Financial Statement Audit (Continued)**

**2015-008 Long-Term Liabilities Should Be Properly Reflected in the Quarterly Financial Report**

**Criteria:**

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

**Condition:**

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

**Cause:**

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

**Effect:**

The ending principal balance per the 4th Quarter Report was understated and the interest balance per the 4th Quarter Report was understated as well. Actual principal and interest balances exceeded reported balances, in sum, by almost \$300,000. Individual variances relating to the respective balances were higher but offset each other in total.

**Recommendation:**

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

**County Judge/Executive Brad Schneider's Response:**

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

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

**Fiscal Year Ended June 30, 2015**

**Section III: Findings and Questioned Costs - Major Federal Programs Audit**

None. There were no material findings or questioned costs related to the major federal programs of Henderson County Fiscal Court for the fiscal year ended June 30, 2015.

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

**HENDERSON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**

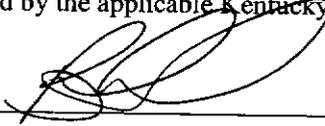
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE *or* LOCAL GOVERNMENT ECONOMIC  
ASSISTANCE AND DEVELOPMENT PROGRAM

HENDERSON COUNTY FISCAL COURT

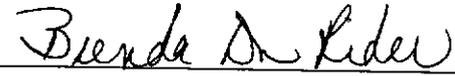
For The Fiscal Year Ended June 30, 2015

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



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County Judge/Executive



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County Treasurer