

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

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



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Scott Bates, Henry County Judge/Executive

The Honorable John Logan Brent, Former Henry County Judge/Executive

Members of the Henry County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Henry County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Henry County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Henry County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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



To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Scott Bates, Henry County Judge/Executive

The Honorable John Logan Brent, Former Henry County Judge/Executive

Members of the Henry County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Henry County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Henry County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Henry County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
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Members of the Henry County Fiscal Court

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

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

Other Matters

Supplementary Information

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

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2025, on our consideration of the Henry County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry County Fiscal Court's internal control over financial reporting and compliance.


To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable John Logan Brent, Former Henry County Judge/Executive
The Honorable Scott Bates, Henry County Judge/Executive
Members of the Henry County Fiscal Court

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

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

- 2022-001 The Henry County Fiscal Court Failed To Provide Adequate Oversight And Proper Segregation Of Duties Over Accounting, Reporting, And Financial Management Practices
- 2022-002 The Henry County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll
- 2022-003 The Henry County Treasurer Failed To Properly Deposit, Code, And Record Receipts
- 2022-004 The Henry County Fiscal Court Did Not Properly Reconcile The Revolving Payroll Account
- 2022-005 The Henry County Fiscal Court Did Not Prepare An Accurate And Complete Fourth Quarter Report
- 2022-006 The Henry County Fiscal Court Had Inadequate Internal Controls Over Disbursements And Budget Transfers
- 2022-007 The Henry County Fiscal Court Lacks Proper Internal Controls Over Cash Transfers
- 2022-008 The Henry County Fiscal Court Did Not Report Liability Balances On The Fourth Quarter Financial Statement
- 2022-009 The Henry County Fiscal Court Did Not Prepare Purchase Orders And Did Not Report Encumbrances On The Fourth Quarter Financial Statement
- 2022-010 The Henry County Fiscal Court Did Not Comply With The County's Administrative Code Related To Sealed Bidding Procedures
- 2022-011 The Henry County Fiscal Court Is Not In Compliance With Relevant Statutes And Regulations Regarding Alcohol Regulatory Fees

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 14, 2025

HENRY COUNTY OFFICIALS
For The Year Ended June 30, 2022

Fiscal Court Members:

John Logan Brent	County Judge/Executive
Scott Bates	Magistrate
Roger Hartladge	Magistrate
Jason Stanley	Magistrate
Chuck Smith	Magistrate
Michael Fisher	Magistrate
Jerry Beasley	Magistrate

Other Elected Officials:

Virginia Harrod	County Attorney
Scott Southworth	Jailer
Shanda Archer	County Clerk
Gina Lyle	Circuit Court Clerk
Keith Perry	Sheriff
Jason Scriber	Property Valuation Administrator
James E. Pollart	Coroner

Appointed Personnel:

Megan Wilson	County Treasurer
Amanda Ricketts	Chief Financial Officer

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,660,669	\$	\$
Excess Fees	338,162		
Licenses and Permits	139,367		
Intergovernmental	216,491	1,348,415	110,685
Charges for Services	23,615		2,501
Miscellaneous	1,236,809	12,645	304
Interest	733	324	14
Total Receipts	<u>3,615,846</u>	<u>1,361,384</u>	<u>113,504</u>
DISBURSEMENTS			
Current:			
General Government	1,736,993		
Protection to Persons and Property	16,944		485,047
General Health and Sanitation	69,454		
Social Services	113,536		
Recreation and Culture			
Roads		1,039,275	
Debt Service	66,451		
Capital Projects			
Administration	982,093	223,016	37,290
Total Disbursements	<u>2,985,471</u>	<u>1,262,291</u>	<u>522,337</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>630,375</u>	<u>99,093</u>	<u>(408,833)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	29,721		
Governmental Leasing Act Receipts	135,000		
Transfers From Other Funds	124,831		455,000
Transfers To Other Funds	(466,550)	(124,831)	
Total Other Adjustments to Cash (Uses)	<u>(176,998)</u>	<u>(124,831)</u>	<u>455,000</u>
Net Change in Fund Balance	453,377	(25,738)	46,167
Fund Balance - Beginning (Restated)	656,003	405,062	(24,921)
Fund Balance - Ending	<u>\$ 1,109,380</u>	<u>\$ 379,324</u>	<u>\$ 21,246</u>
Composition of Fund Balance			
Bank Balance	\$ 945,003	\$ 286,513	\$ 51,744
Payroll Revolving Account Reconciled Balance	29,721		
Less: Outstanding Checks	(8,939)	(7,189)	(30,498)
Certificates of Deposit	143,595	100,000	
Fund Balance - Ending	<u>\$ 1,109,380</u>	<u>\$ 379,324</u>	<u>\$ 21,246</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Federal Grant Fund	Solid Waste Fund	Emergency 911 Fund	Alcoholic Beverage Control Fund	Fair Fund	America Rescue Plan Act Fund
\$	\$	\$	\$ 23,864	\$	\$	\$
				111,631		
82,727		28,217		1,622		
					6,190	
5		2	3	8	1	
82,732		28,219	23,867	113,261	6,191	
1,167				83,360		
28,752			40,432			160,127
		21,312				
18,700						
15,714					18,320	
		205	1,799	14,688		
64,333		21,517	42,231	98,048	18,320	160,127
18,399		6,702	(18,364)	15,213	(12,129)	(160,127)
		1,600			9,950	
		1,600			9,950	
18,399		8,302	(18,364)	15,213	(2,179)	(160,127)
108,564	(32,942)	17,102	62,492	66,248	1,470	1,566,143
\$ 126,963	\$ (32,942)	\$ 25,404	\$ 44,128	\$ 81,461	\$ (709)	\$ 1,406,016
\$ 130,414	\$ (32,942)	\$ 25,404	\$ 44,128	\$ 81,475	\$ (709)	\$ 1,406,016
(3,451)				(14)		
\$ 126,963	\$ (32,942)	\$ 25,404	\$ 44,128	\$ 81,461	\$ (709)	\$ 1,406,016

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

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

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>Angels Envy Fund</u>	<u>CBDG Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
RECEIPTS				
Taxes	\$	\$	\$	\$ 1,684,533
Excess Fees				338,162
Licenses and Permits				250,998
Intergovernmental	18,420	10,500	1,109,850	2,926,927
Charges for Services				26,116
Miscellaneous				1,255,948
Interest			201	1,291
Total Receipts	<u>18,420</u>	<u>10,500</u>	<u>1,110,051</u>	<u>6,483,975</u>
DISBURSEMENTS				
Current:				
General Government				1,821,520
Protection to Persons and Property				731,302
General Health and Sanitation				90,766
Social Services				132,236
Recreation and Culture				34,034
Roads				1,039,275
Debt Service			1,108,850	1,175,301
Capital Projects		9,660	1,467,956	1,477,616
Administration			1,100	1,260,191
Total Disbursements		<u>9,660</u>	<u>2,577,906</u>	<u>7,762,241</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>18,420</u>	<u>840</u>	<u>(1,467,855)</u>	<u>(1,278,266)</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account				29,721
Governmental Leasing Act Receipts				135,000
Transfers From Other Funds				591,381
Transfers To Other Funds				(591,381)
Total Other Adjustments to Cash (Uses)				<u>164,721</u>
Net Change in Fund Balance	18,420	840	(1,467,855)	(1,113,545)
Fund Balance - Beginning			1,853,205	4,678,426
Fund Balance - Ending	<u>\$ 18,420</u>	<u>\$ 840</u>	<u>\$ 385,350</u>	<u>\$ 3,564,881</u>
Composition of Fund Balance				
Bank Balance	\$ 18,420	\$ 840	\$ 385,350	\$ 3,341,656
Payroll Revolving Account Reconciled Balance				29,721
Less: Outstanding Checks				(50,091)
Certificates of Deposit				243,595
Fund Balance - Ending	<u>\$ 18,420</u>	<u>\$ 840</u>	<u>\$ 385,350</u>	<u>\$ 3,564,881</u>

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

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TO THE FINANCIAL STATEMENT**

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**HENRY COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Federal Grant Fund - The primary purpose of this fund is to account for federal grants and related disbursements.

Solid Waste Fund - The primary purpose of this fund is to account for the litter grants and related disbursements.

Emergency 911 Fund - The primary purpose of this fund is to account for emergency 911 receipts and disbursements. The sole source of receipts for this fund is telephone taxes.

Alcoholic Beverage Control (ABC) Fund - The primary purpose of this fund is to account for receipts collected for permits to sell alcoholic beverages in the county. The funds collected are used for the enforcement of local alcohol laws.

Fair Fund - The primary purpose of this fund is to account for receipts and disbursements for the fairgrounds and park. The primary sources of receipts for this fund are rent and transfers from the general fund.

American Rescue Plan Act (ARPA) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are federal grants received under the American Rescue Plan Act.

Angels Envy Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is the Community Development Block Grant, which is a federal grant.

Community Development Block Grant (CDBG) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is the Community Development Block Grant, which is a federal grant.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

D. Budgetary Information

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

E. Henry County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Note 2. Deposits and Investments

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 124,831	\$ 124,831
Jail Fund	455,000		455,000
Solid Waste Fund	1,600		1,600
Fair Fund	9,950		9,950
Total Transfers Out	<u>\$ 466,550</u>	<u>\$ 124,831</u>	<u>\$ 591,381</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.

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

Note 4. Leases

Lessor

In fiscal year 2021, the Henry County Fiscal Court entered into a 63-month lease agreement as lessee for the acquisition and use of office equipment. An initial lease liability was recorded in the amount of \$11,909. As of June 30, 2022, the value of the lease liability was \$7,750. The Henry County Fiscal Court is required to make monthly payments of \$189.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Heart Monitors

On September 25, 2017, the Henry County Fiscal Court entered into a lease agreement with Stryker Flex Financial in the amount of \$54,080 for the acquisition of 3 heart monitors for the ambulance service. The term is for 49 months. In the event of default, the lease will be terminated and the equipment returned. As of June 30, 2022, the outstanding principal balance was paid in full.

2. Ambulance

On September 4, 2018, the Henry County Fiscal Court obtained a commercial promissory note from Citizens Deposit Bank in the amount of \$150,144 to purchase a new ambulance. The interest rate on the note is 3.8% and began to accrue on September 4, 2018. The note requires three consecutive annual payments of principal and interest in the amount of \$54,439 beginning December 1, 2019, and continuing the same day each year thereafter. Collateral for the note is the ambulance that is being financed. In the event of default, the lender may declare all indebtedness immediately due and payable. As of June 30, 2022, the principal balance was paid in full.

3. Sheriff's Office Building

On September 29, 2021, the Henry County Fiscal Court entered into an agreement with the Kentucky Association of Counties Finance Corporation to finance the purchase of an office building for the Henry County Sheriff's Department. The amount of the agreement was \$135,000 with a fixed interest rate of 2.505 percent. Principal and interest payments are due semiannually until scheduled final payment is made in December 2033. In the event of default, the lessor may enforce a pledge to levee a tax annually in the fiscal court's jurisdiction sufficient to pay the lease rental payments when due, take legal title to the property to sell or re-lease, or seek other remedies as allowed under applicable law. The outstanding principal balance as of June 30, 2022, was \$135,000. Future principal and interest requirements are as follows:

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

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

• **Sheriff' Office Building (Continued)**

Fiscal Year	Principal	Interest
Ended		
2023	\$ 5,000	\$ 3,552
2024	5,000	3,352
2025	10,000	3,052
2026	10,000	2,652
2027	10,000	2,252
2028-2032	50,000	5,910
2033-2036	45,000	1,006
	<u>\$ 135,000</u>	<u>\$ 21,776</u>

B. Other Debt

1. First Mortgage Revenue Bonds - Series 2019

On May 1, 2019, the Henry County Public Properties Corporation issued \$16,075,000 in first mortgage revenue bonds, series 2019, for the court facilities renovation project. The bond issue covers a 20-year period with an annual principal payment due each June 1, beginning June 1, 2020. Interest ranges between 5.0 and 3.0% and is payable semi-annually each December 1 and June 1, beginning December 1, 2019. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts to provide funding to meet the annual debt service requirements. The bonds will be secured by a foreclosable first mortgage lien on the project. In the event of default, the trustee may enforce the foreclosable mortgage lien on the project and improvements granted by the mortgage, and, in such event, the trustee takes over possession, custody, and control of the project. The total principal balance outstanding was \$14,415,000 as of June 30, 2022. The following table shows future scheduled principal and interest payments:

Fiscal Year	Principal	Interest
Ended		
2023	610,000	499,850
2024	640,000	469,350
2025	675,000	437,350
2026	705,000	403,600
2027	740,000	368,350
2028-2032	4,130,000	1,416,150
2033-2037	4,790,000	758,100
2039-2039	2,125,000	96,150
	<u>\$ 14,415,000</u>	<u>\$ 4,448,900</u>

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

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 61,507	\$ 135,000	\$ 61,507	\$ 135,000	\$ 5,000
Other Debt	14,995,000		580,000	14,415,000	610,000
Total Long-term Debt	<u>\$ 15,056,507</u>	<u>\$ 135,000</u>	<u>\$ 641,507</u>	<u>\$14,550,000</u>	<u>\$ 615,000</u>

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 610,000	\$ 499,850	\$ 5,000	\$ 3,552
2024	640,000	469,350	5,000	3,352
2025	675,000	437,350	10,000	3,052
2026	705,000	403,600	10,000	2,652
2027	740,000	368,350	10,000	2,252
2028-2032	4,130,000	1,416,150	50,000	5,910
2033-2037	4,790,000	758,100	45,000	1,006
2039-2039	2,125,000	96,150		
Totals	<u>\$ 14,415,000</u>	<u>\$ 4,448,900</u>	<u>\$ 135,000</u>	<u>\$ 21,776</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

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

Note 6. Employee Retirement System (Continued)

The county's contribution for FY 2020 was \$478,009, FY 2021 was \$475,978, and FY 2022 was \$463,282.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

Note 6. Employee Retirement System (Continued)

Hazardous (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 44.33 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 2 and Tier 3 – Nonhazardous (Continued)

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

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

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

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

E. Death Benefit

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

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

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

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

Note 6. Employee Retirement System (Continued)

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

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

Note 7. Deferred Compensation

The Henry 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 who have elected to participate.

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2022, the Henry County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2022, was added to the general fund cash balance for financial reporting purposes.

Note 10. Commitments and Contingencies

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

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

Note 11. Prior Period Adjustments

	General Fund	Road Fund	Local Government Economic Assistance Fund	Solid Waste Fund
Beginning Balance - June 30, 2021	\$ 665,427	\$ 401,784	\$ 108,518	\$ 17,103
Adjustments:				
Prior Year Outstanding Check Written Off	234	3,278	46	
Payroll Revolving Account	(9,658)			
Immaterial Adjustment				(1)
Restated Beginning Balance - June 30, 2021	<u>\$ 656,003</u>	<u>\$ 405,062</u>	<u>\$ 108,564</u>	<u>\$ 17,102</u>

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

For The Year Ended June 30, 2022

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HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,393,001	\$ 1,393,001	\$ 1,660,669	\$ 267,668
Excess Fees	90,682	90,682	338,162	247,480
Licenses and Permits	205,001	205,001	139,367	(65,634)
Intergovernmental	281,588	281,588	216,491	(65,097)
Charges for Services	76,000	76,000	23,615	(52,385)
Miscellaneous	1,130,788	1,130,788	1,236,809	106,021
Interest	1,500	1,500	733	(767)
Total Receipts	<u>3,178,560</u>	<u>3,178,560</u>	<u>3,615,846</u>	<u>437,286</u>
DISBURSEMENTS				
General Government	1,865,255	1,883,694	1,736,993	146,701
Protection to Persons and Property	18,401	18,401	16,944	1,457
General Health and Sanitation	106,711	101,222	69,454	31,768
Social Services	123,224	123,224	113,536	9,688
Capital Projects	60,001	1		1
Administration	836,001	879,731	982,093	(102,362)
Total Disbursements	<u>3,009,593</u>	<u>3,006,273</u>	<u>2,985,471</u>	<u>20,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>168,967</u>	<u>172,287</u>	<u>630,375</u>	<u>458,088</u>
Other Adjustments to Cash (Uses)				
Governmental Leasing Act Receipts			135,000	135,000
Transfers From Other Funds	226,429	226,429	124,831	(101,598)
Transfers To Other Funds	(517,675)	(517,675)	(466,550)	51,125
Total Other Adjustments to Cash (Uses)	<u>(291,246)</u>	<u>(291,246)</u>	<u>(206,719)</u>	<u>84,527</u>
Net Change in Fund Balance	(122,279)	(118,959)	423,656	542,615
Fund Balance - Beginning (Restated)	<u>122,279</u>	<u>122,279</u>	<u>656,003</u>	<u>533,724</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 3,320</u>	<u>\$ 1,079,659</u>	<u>\$ 1,076,339</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,352,087	\$ 1,352,087	\$ 1,348,415	\$ (3,672)
Miscellaneous	2,250	2,250	12,645	10,395
Interest	2,000	2,000	324	(1,676)
Total Receipts	<u>1,356,337</u>	<u>1,356,337</u>	<u>1,361,384</u>	<u>5,047</u>
DISBURSEMENTS				
Roads	1,129,916	1,129,916	1,039,275	90,641
Administration	264,000	264,000	223,016	40,984
Total Disbursements	<u>1,393,916</u>	<u>1,393,916</u>	<u>1,262,291</u>	<u>131,625</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(37,579)</u>	<u>(37,579)</u>	<u>99,093</u>	<u>136,672</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(226,429)</u>	<u>(226,429)</u>	<u>(124,831)</u>	<u>101,598</u>
Total Other Adjustments to Cash (Uses)	<u>(226,429)</u>	<u>(226,429)</u>	<u>(124,831)</u>	<u>101,598</u>
Net Change in Fund Balance	(264,008)	(264,008)	(25,738)	238,270
Fund Balance - Beginning (Restated)	<u>264,008</u>	<u>264,008</u>	<u>405,062</u>	<u>141,054</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 379,324</u>	<u>\$ 379,324</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 112,000	\$ 112,000	\$ 110,685	\$ (1,315)
Charges for Services	14,000	14,000	2,501	(11,499)
Miscellaneous	1,725	1,725	304	(1,421)
Interest	100	100	14	(86)
Total Receipts	<u>127,825</u>	<u>127,825</u>	<u>113,504</u>	<u>(14,321)</u>
DISBURSEMENTS				
Protection to Persons and Property	583,050	583,050	485,047	98,003
Administration	52,500	52,500	37,290	15,210
Total Disbursements	<u>635,550</u>	<u>635,550</u>	<u>522,337</u>	<u>113,213</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(507,725)</u>	<u>(507,725)</u>	<u>(408,833)</u>	<u>98,892</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	507,725	507,725	455,000	(52,725)
Total Other Adjustments to Cash (Uses)	<u>507,725</u>	<u>507,725</u>	<u>455,000</u>	<u>(52,725)</u>
Net Change in Fund Balance			46,167	46,167
Fund Balance - Beginning			<u>(24,921)</u>	<u>(24,921)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 21,246</u>	<u>\$ 21,246</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 74,782	\$ 74,782	\$ 82,727	\$ 7,945
Interest	50	50	5	(45)
Total Receipts	<u>74,832</u>	<u>74,832</u>	<u>82,732</u>	<u>7,900</u>
DISBURSEMENTS				
General Government	6,000	6,000	1,167	4,833
Protection to Persons and Property	32,200	32,333	28,752	3,581
Social Services	25,500	25,500	18,700	6,800
Recreation and Culture	37,250	37,689	15,714	21,975
Administration	600	28		28
Total Disbursements	<u>101,550</u>	<u>101,550</u>	<u>64,333</u>	<u>37,217</u>
Net Change in Fund Balance	(26,718)	(26,718)	18,399	45,117
Fund Balance - Beginning	<u>26,718</u>	<u>26,718</u>	<u>108,564</u>	<u>81,846</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,963</u>	<u>\$ 126,963</u>

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

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$	\$	\$
Total Receipts				
DISBURSEMENTS				
General Government				
Administration				
Total Disbursements				
Net Change in Fund Balance				
Fund Balance - Beginning			(32,942)	(32,942)
Fund Balance - Ending	\$	0	\$	(32,942)
	\$	0	\$	(32,942)

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,145	\$ 25,145	\$ 28,217	\$ 3,072
Interest	50	50	2	(48)
Total Receipts	<u>25,195</u>	<u>25,195</u>	<u>28,219</u>	<u>3,024</u>
DISBURSEMENTS				
General Health and Sanitation	24,550	24,558	21,312	3,246
Administration	645	637	205	432
Total Disbursements	<u>25,195</u>	<u>25,195</u>	<u>21,517</u>	<u>3,678</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>6,702</u>	<u>6,702</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			<u>1,600</u>	<u>1,600</u>
Total Other Adjustments to Cash (Uses)			<u>1,600</u>	<u>1,600</u>
Net Change in Fund Balance			8,302	8,302
Fund Balance - Beginning			<u>17,102</u>	<u>17,102</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,404</u>	<u>\$ 25,404</u>

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

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 38,000	\$ 38,000	\$ 23,864	\$ (14,136)
Interest	50	50	3	(47)
Total Receipts	<u>38,050</u>	<u>38,050</u>	<u>23,867</u>	<u>(14,183)</u>
DISBURSEMENTS				
Protection to Persons and Property	80,550	80,607	40,432	40,175
Administration	2,300	2,243	1,799	444
Total Disbursements	<u>82,850</u>	<u>82,850</u>	<u>42,231</u>	<u>40,619</u>
Net Change in Fund Balance	(44,800)	(44,800)	(18,364)	26,436
Fund Balance - Beginning	<u>44,800</u>	<u>44,800</u>	<u>62,492</u>	<u>17,692</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 44,128</u>	<u>\$ 44,128</u>

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

ALCOHOLIC BEVERAGE CONTROL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 103,050	\$ 103,050	\$ 111,631	\$ 8,581
Intergovernmental	1,000	1,000	1,622	622
Interest	50	50	8	(42)
Total Receipts	<u>104,100</u>	<u>104,100</u>	<u>113,261</u>	<u>9,161</u>
DISBURSEMENTS				
General Government	92,666	92,666	83,360	9,306
Administration	16,000	16,000	14,688	1,312
Total Disbursements	<u>108,666</u>	<u>108,666</u>	<u>98,048</u>	<u>10,618</u>
Net Change in Fund Balance	(4,566)	(4,566)	15,213	19,779
Fund Balance - Beginning	4,566	4,566	66,248	61,682
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,461</u>	<u>\$ 81,461</u>

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

	FAIR FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 6,190	\$ 1,190
Interest	50	50	1	(49)
Total Receipts	<u>5,050</u>	<u>5,050</u>	<u>6,191</u>	<u>1,141</u>
DISBURSEMENTS				
Recreation and Culture	14,500	18,320	18,320	
Administration	500			
Total Disbursements	<u>15,000</u>	<u>18,320</u>	<u>18,320</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(9,950)</u>	<u>(13,270)</u>	<u>(12,129)</u>	<u>1,141</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	9,950	9,950	9,950	
Total Other Adjustments to Cash (Uses)	<u>9,950</u>	<u>9,950</u>	<u>9,950</u>	
Net Change in Fund Balance		(3,320)	(2,179)	1,141
Fund Balance - Beginning			<u>1,470</u>	<u>1,470</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,320)</u>	<u>\$ (709)</u>	<u>\$ 2,611</u>

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

	ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,127,538	\$ 3,127,538	\$	\$ (3,127,538)
Total Receipts	3,127,538	3,127,538		(3,127,538)
DISBURSEMENTS				
Protection to Persons and Property			160,127	(160,127)
Administration	3,127,538	3,127,538		3,127,538
Total Disbursements	3,127,538	3,127,538	160,127	2,967,411
Net Change in Fund Balance			(160,127)	(160,127)
Fund Balance - Beginning			1,566,143	1,566,143
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,406,016	\$ 1,406,016

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

	ANGELS ENVY FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,991,000	\$ 1,991,000	\$ 18,420	\$ (1,972,580)
Total Receipts	1,991,000	1,991,000	18,420	(1,972,580)
DISBURSEMENTS				
General Health and Sanitation	1,991,000	1,991,000		1,991,000
Total Disbursements	1,991,000	1,991,000		1,991,000
Net Change in Fund Balance			18,420	18,420
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 18,420	\$ 18,420

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

	CBDG FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 10,500	\$ (189,500)
Total Receipts	200,000	200,000	10,500	(189,500)
DISBURSEMENTS				
Capital Projects	200,000	200,000	9,660	190,340
Total Disbursements	200,000	200,000	9,660	190,340
Net Change in Fund Balance			840	840
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 840	\$ 840

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

June 30, 2022

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (206,719)
To adjust for payroll revolving account balance	<u>29,721</u>
Total Intergovernmental - Regulatory Basis	<u>\$ (176,998)</u>
Total Fund Balance - Budgetary Basis	\$ 1,079,659
To adjust for payroll revolving account balance	<u>29,721</u>
Total Ending Fund Balance - Regulatory Basis	<u>\$ 1,109,380</u>

Note 3. Excess of Disbursements Over Appropriations

The Henry County Fiscal Court exceeded the budgeted appropriations in the following line-items in the following funds:

General Fund:

- Administration by \$102,362

ARPA Fund:

- Protection to Persons and Property by \$160,127

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

For The Year Ended June 30, 2022

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HENRY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 509,948	\$ 50,000	\$	\$ 559,948
Construction In Progress	8,028,957	1,244,425		9,273,382
Buildings	9,220,585			9,220,585
Vehicles	1,569,177	77,000		1,646,177
Equipment	1,440,397		(228,369)	1,668,766
Infrastructure	8,697,215	579,087		9,276,302
 Total Capital Assets	 <u>\$ 29,466,279</u>	 <u>\$ 1,950,512</u>	 <u>\$ (228,369)</u>	 <u>\$ 31,645,160</u>

Note: The change in the beginning balance is due to the Henry County Fiscal Court not providing an updated Schedule of Capital Assets since fiscal year ended June 30, 2019. Auditors were provided an updated schedule for fiscal year 2022.

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

June 30, 2022

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment and Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-25

Note 2. Restated Beginning Balances

Beginning balances for capital assets were restated due to prior year reporting errors.

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

The Honorable Scott Bates, Henry County Judge/Executive
The Honorable John Logan Brent, Former Henry County Judge/Executive
Members of the Henry County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henry County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Henry County Fiscal Court's financial statement and have issued our report thereon dated February 14, 2025.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, 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 Responses and as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, and 2022-009 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-010 and 2022-011 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Henry County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as items 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, and 2022-011.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 14, 2025

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Henry County Fiscal Court Failed To Provide Adequate Oversight And Proper Segregation Of Duties Over Accounting, Reporting, And Financial Management Practices

This is a repeat finding and was included in the prior year audit report as finding 2021-001. The fiscal court failed to provide management oversight over an extensive number of accounting and reporting functions. Also, there was a lack of segregation of duties with no compensation controls in place. The county treasurer was responsible for collecting and recording receipts, preparing and making deposits, preparing bank reconciliations, signing checks, preparing payroll, and preparing quarterly reports on behalf of the fiscal court. This lack of adequate controls and proper segregation of duties over accounting and financial management practices resulted in numerous audit deficiencies listed below:

- There were 11 receipt posting errors that led to \$284,907 in receipts being misclassified (see finding 2022-003).
- The payroll revolving account did not reconcile to zero monthly. The reconciled balance at June 30, 2022, was \$29,721 (see finding 2022-004).
- The quarterly report did not have all the required information as required by statute (see finding 2022-005).
- Transactions for the ARPA fund, Angels Envy fund, and CBDG funds were not properly recorded or reported on the fourth quarter report (see finding 2022-005).
- No purchase order system was in place resulting in eight expenditure line items expended over the amount budgeted for the year. Additionally, the fair fund had a deficit balance of (\$709) and the federal grant fund had a deficit balance of (\$32,942) at year-end. (see finding 2022-006).

The county failed to develop adequate internal controls and segregate the duties over all accounting and reporting functions and did not provide adequate oversight regarding the county treasurer's preparation of financial reports. If budget restrictions limit the number of employees the fiscal court can hire, strong compensating controls should be put in place to offset the lack of segregation of duties.

A lack of oversight of county personnel by the county judge/executive and the fiscal court creates an environment where the accounting and reporting functions of the county go unchecked. This lack of oversight can result in misappropriation of assets going undetected and/or inaccurate financial reporting to management and external agencies such as the Department for Local Government.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The Henry County Fiscal Court has not developed a strong internal control structure or implemented adequate segregation of duties.

We recommend the fiscal court implement strong management monitoring and oversight for accounting, financial, and reporting functions due to the overall failure of the internal control structure. The fiscal court should segregate the duties of employees involved in recording receipts and disbursements, preparing payroll, completing bank reconciliations, and preparing financial reports. If segregation of duties is not possible due to limited staff, strong oversight and compensating controls should be implemented. The employee providing this oversight should document their review by initialing all source documentation.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-001 The Henry County Fiscal Court Failed To Provide Adequate Oversight And Proper Segregation Of Duties Over Accounting, Reporting, And Financial Management Practices (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Provide better training of financial positions upon hire and continue training for the duration of employment.*
- *Establish a deadline for month end balancing (tentative balance date of the 10th of the month) and establish a year-end balance (tentative date by July 10).*
- *Make Bank Statements available to reviewer(s) for validation of balanced reporting.*
- *Financial Review Committee to meet quarterly to review financials and discuss in depth existing financials, projections, concerns, etc.*

NOTE: Finding 2022-001 is a repeat finding from FY2019-FY2021 with an implementation date of December 1, 2021.

[Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.

Administration changes in January of 2023 implemented changes that should be reflected in the FY2023 audit.

2022-002 The Henry County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2021-006. The Henry County Fiscal Court lacks adequate segregation of duties over payroll. During payroll testing, auditors noted that the February 2022 retirement payment was not posted to the ledger, and the March 2022 retirement payment was incorrectly posted to the health insurance line in the ledger. The same employee who posts payroll disbursements to the ledger also inputs data into the payroll system, reviews the data and compares it against timesheets, prints checks, requests funds for payroll from the operating account, signs the payroll checks, and reconciles the revolving payroll account. All of these procedures are done without independent review.

The county had one person handling incompatible duties over payroll due to a limited budget and limited staff. No supervisory review procedures were performed. When control procedures are performed by the same employee and no compensating controls are in place, the risk for an undetected material misstatement caused by error or fraud significantly increases. .

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Proper segregation of duties over payroll is a basic control that ensures the accuracy of payroll payments to employees, to taxing entities for payroll taxes, and to health insurance companies and other entities for pertinent employee withholdings.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Henry County Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll (Continued)

We recommend the Henry County Fiscal Court implement adequate controls over payroll by segregating the duties over the handling payroll. If this is not feasible the county should implement compensating controls, such as an employee not involved in the payroll process should compare payroll data to payroll reports for accuracy. The independent person should then sign off on the payroll reports that this compensating control was completed.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *An updated Payroll Software, [software name redacted], was installed and utilized effective January 1, 2021.*
- *Each Payroll will be reviewed and approved separately from the preparer. This process will include timesheet review, gross wages requests and approval, liability withholdings, health insurance withholdings, retirement withholdings, federal and state taxes and include disbursements of appropriate with holdings.*

NOTE: *Finding 2020-009 is a repeat finding from FY2019; 2019-013 with an implementation date of December 31, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.*

In addition, FY2023 brought an even newer software system; [software names redacted]. Implementation of these software brought additional segregation of funds disbursed for Payroll.

2022-003 The Henry County Treasurer Failed To Properly Deposit, Code, And Record Receipts

This is a repeat finding and was included in the prior year audit report as finding 2021-004. During receipts testing, we noted \$284,907 of receipts posted to incorrect receipt account codes and that deposits were often not made timely. In November and December 2022, there were only two deposits made for each month. In addition, the county treasurer did not include receipts for the Angels Envy Fund totaling \$18,320 on the quarterly reports.

The multiple errors related to the deposit, coding, and recording of receipts occurred due to the lack of training and knowledge of the employee responsible for this process, combined with management's inadequate design of controls over receipts and deposits, and lack of management oversight. A lack of adequate and effective internal controls and management oversight increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Failure to properly implement proper internal controls over the deposit, coding, and recording of receipts could produce a skewed analysis of county receipts and fund balances on which management decisions are made. By not making daily deposits resulted in noncompliance with the Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*.

The Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* has statutory receipt account codes to be used for recording receipts to the receipt ledgers. Also, posting to appropriate account codes assists management during budgeting processes and normal operating procedures. Adequate training for personnel performing accounting and reporting functions related to receipts and effective controls over receipts reporting ensures the accuracy and reliability of financial reporting.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Henry County Treasurer Failed To Properly Deposit, Code, And Record Receipts (Continued)

KRS 68.210 requires the State Local Finance Officer to create a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including procedures and formats for the county's quarterly report submission and mandatory daily deposits.

We recommend the fiscal court strengthen internal controls to ensure receipts are deposited timely, posted, and accounted for appropriately. We further recommend that management begin monitoring procedures to ensure internal controls over receipts are operating effectively.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Require a more meticulous effort to ensure funds are deposited into the correct revenue account line item.*
- *Documentation of determination of deposit if in question.*
- *Request expense listing issued to Henry County Fiscal Court from state agencies for a receipt reference.*

NOTE: *Finding 2022-014 is a repeat finding from FY2019; 2019-011 with an implementation date of December 1, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.*

Administration changes in January of 2023 implemented changes that will be reflected in the FY2023 audit.

2022-004 The Henry County Fiscal Court Did Not Properly Reconcile The Payroll Revolving Account

The payroll revolving account was not properly reconciled to zero monthly. As of June 30, 2022, the book balance in the payroll account was \$29,721, after accounting for all receivables and liabilities. The county treasurer prepared a monthly bank reconciliation, but the reconciliation did not include all liabilities to ensure the proper amounts were transferred from each fund.

The payroll revolving account is a clearing account and should be reconciled to a zero balance at the end of each pay period. Therefore, only the exact amount needed to cover payroll disbursements should be transferred to the payroll revolving account. The unreconciled payroll account could cause the fiscal court to have insufficient funds to meet payroll requirements, cause the fiscal court's liabilities to not be properly paid, or cause liabilities to not be paid timely.

Per KRS 68.210 the State Local Finance Officer has the authority to require a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* includes monthly bank reconciliation as a minimum requirement for all county officials. Since the payroll account is a revolving account, only the funds necessary to pay employees and government agencies should be transferred from other county funds. Therefore, each month the account should reconcile to zero.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Henry County Fiscal Court Did Not Properly Reconcile The Payroll Revolving Account (Continued)

We recommend the fiscal court properly reconcile the payroll revolving account to a zero balance monthly. Additionally, we recommend payroll revolving account bank reconciliations be reviewed by an independent employee to verify accuracy and completeness.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Complete a bank reconciliation of the revolving Payroll Account each month.*
- *Present reconciliation to an independent co-worker to verify reconciliation.*

NOTE: *Implementation of software [name redacted] will assist in proper recording and documentation of the Payroll Account.*

2022-005 The Henry County Fiscal Court Did Not Prepare An Accurate And Complete Fourth Quarter Report

This is a repeat finding and was included in the prior year audit report as finding 2021-007. The Henry County Fiscal Court did not prepare an accurate and complete fourth quarter report. The former treasurer did not properly record transactions for the ARPA Fund, Angels Envy Fund, or CBDG Fund. At the end of the fiscal year, the treasurer only recorded the ending bank balance at fiscal year end and failed to record the activity in these funds.

All supporting records associated with the fourth quarter report were not kept together by the county nor were they reviewed by an employee independent of the preparation of the report. Not having a complete quarterly report puts the county in noncompliance with state law. In addition, not having accurate information presented in the fourth quarter report misrepresents the financial position of the county at year-end and does not provide management with accurate financial information when making financial decisions. The errors in reporting resulted in material adjustments for the ARPA Fund of \$1,406,016.

KRS 68.210 requires the State Local Finance Officer to create a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required procedures and formats for the county's quarterly report submission.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires."

We recommend the fiscal court implement strong internal controls over the reporting process and segregate duties to ensure complete and accurate information is submitted to the Department for Local Government as required.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-005 The Henry County Fiscal Court Did Not Prepare An Accurate And Complete Fourth Quarter Report
(Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Resubmission to Department for Local Government if applicable.*
- *Appropriate journal entries to correct errors revealed and identified.*

NOTE: Finding 2020-003 is a repeat finding from FY2019; 2019-003 with an implementation date of December 1, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.

2022-006 The Henry County Fiscal Court Had Inadequate Internal Controls Over Disbursements And Budget Transfers

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The General Fund had five line-item appropriations in excess of budgeted amounts, and one each for the Road, LGEA, and ABC Funds. This means that funds were spent from line-items that did not have the budget available per the appropriations ledger. Additionally, the Fair Fund had a deficit balance of (\$709) and the Federal Grant Fund had a deficit balance of (\$32,942) at year-end.

The county did not utilize a purchase order system and therefore did not actively monitor appropriations to ensure they did not exceed budgeted amounts. This deficiency constitutes noncompliance with purchasing requirements for counties and an ineffective implementation of internal controls. Management is unable to determine where potential issues with spending are before the expense is already incurred, creating the opportunity for waste, fraud, and abuse. This could lead to financial strain on the county due to overspending and a lack of funds to cover necessary expenses of the county.

KRS 68.210 requires the State Local Finance Officer to create a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for handling of public funds, including required purchasing procedures for counties. These requirements prescribe that "[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

KRS 68.300 prohibits any appropriation or allowance of a claim by the fiscal court in excess of any budget fund. Such appropriations and claims shall be void and no member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on her official bond for the amount of any county warrant willfully or negligently signed or countersigned by her in excess of the budget fund out of which the warrant is paid.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The Henry County Fiscal Court has not developed a strong internal control structure or implemented adequate segregation of duties.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-006 The Henry County Fiscal Court Had Inadequate Internal Controls Over Disbursements and Budget Transfers (Continued)

We recommend fiscal court work to ensure it adheres to DLG's requirements and guidance by utilizing a purchase order system to ensure appropriations do not exceed budgeted amounts and that budget transfers are made when needed. Furthermore, we recommend the county strengthen controls over the disbursements process to provide better oversight and compliance with applicable statutes so that funds are available prior to expenditures being made.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Establish procedure of requester and grantor for disbursements and budget transfers including but not limited to wireless transfers and bank transfers.*
- *Requests, approval of requests and detail of records should be filed in a timely manner.*

NOTE: *Finding 2020-003 is a repeat finding from FY2019; 2019-003 with an implementation date of December 1, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.*

Administration changes in January of 2023 implemented changes that should be reflected in the FY2023 audit.

2022-007 The Henry County Fiscal Court Lacks Proper Internal Controls Over Cash Transfers

This is a repeat finding and was included in the prior year audit report as finding 2021-005. The county lacks proper internal controls over cash transfers. On June 21, 2022, the court approved a \$226,429 transfer from the Road Fund to the General Fund; however, the actual transfer made by the treasurer was \$124,831. The county treasurer can also make transfers from the general bank account to the payroll bank account without any prior authorization. There was no independent review of the cash transfers that are made.

The county has not implemented proper internal control procedures over cash transfers between bank accounts. When cash transfers can be made by an employee and no compensating controls are in place, the risk for an undetected material misstatement caused by error or fraud significantly increases.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. The fiscal court has not implemented internal controls that include segregation of duties.

We recommend the fiscal court approve all transfers as required by DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. Approved transfers should agree with the amount stated in the fiscal court order approving the transfer. In addition, the county should implement internal control procedures over cash transfers. Someone not involved in the process of making the transfer between bank accounts should implement any controls pertaining to authorization and/or review of transfers. Transfers should be documented by initials of the reviewer on all documents reviewed.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-007 The Henry County Fiscal Court Lacks Proper Internal Controls Over Cash Transfers (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Procedure of request, confirmation and approval to be implemented and presented to Fiscal Court during existing monthly procedures. Process is to include date of request, amount, account information for withdraw, account information for deposit, detail information to validate the amount requested and date of completion. Each transfer should be submitted to Fiscal Court during the monthly Claims and Transfer procedure.*
- *Original requests including but not limited to deposits, withdraw notices and other bank identifiers must be filed and retained in an orderly and easily acceptable fashion.*

NOTE: *Finding 2020-005 is a repeat finding from FY2019; 2019-005 with an implementation date of December 1, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.*

Administration changes in January of 2023 implemented changes that should be reflected in the FY2023 audit.

2022-008 The Henry County Fiscal Court Did Not Report Liability Balances On The Fourth Quarter Financial Statement

This is a repeat finding and was included in the prior year audit report as finding 2021-008. The fiscal court did not prepare a liabilities section for the fourth quarter financial statement. Underlying accounting records show the county had outstanding liabilities for two different debt obligations totaling \$19,020,676 including principal and interest, as of June 30, 2022. The fiscal court did not include the liabilities section on their fourth quarter financial report as required by the Department for Local Government.

The county did not have proper controls in place to ensure the fourth quarter financial statement included all the elements required by the Department for Local Government. By not preparing a liabilities section for the fourth quarter financial statement, the county is not in compliance with KRS 68.210. Inaccurate liabilities information was therefore presented to management, regulatory agencies, and other users of the information. The fiscal court must follow the guidelines as set forth by the *County Budget Preparation and State Local Finance Officer Policy Manual* prepared by the Department for Local Government to comply with KRS 68.210. These guidelines require the preparation of a liabilities section to be included with the submission of the fourth quarter financial report, which shall include all outstanding debt obligations of the county including any debt outstanding for the Public Properties Corporation.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires."

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-008 The Henry County Fiscal Court Did Not Report Liability Balances On The Fourth Quarter Financial Statement (Continued)

We recommend the fiscal court implement internal controls to ensure the fourth quarter financial statement includes an accurate liabilities section and all other elements required by the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

Resubmission, if need to DLG and/or any other department .

Appropriate journal entries to correct errors revealed and identified.

Original and duplicate Liability Balances documentation requests must be filed and retained in an orderly and easily acceptable fashion.

NOTE: Finding 2022-009 is a repeat finding from FY2019; 2019-006 with an implementation date of December 1, 2021, [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.

Administration changes in January of 2023 implemented changes that should be reflected in the FY2023 audit.

2022-009 The Henry County Fiscal Court Did Not Prepare Purchase Orders And Did Not Report Encumbrances On The Fourth Quarter Financial Statement

This is a repeat finding and was included in the prior year audit report as finding 2021-009. There were no purchase orders issued for expenditures tested. In addition, encumbrances were not reported on the fourth quarter financial statement. The county did not issue a purchase order for any expenditure or account for encumbrances on the fourth quarter report. Fiscal court policy allows department heads to order items they need without approval for purchases under \$300. The department heads reviewed and initialed invoices and submitted them to the finance officer. Invoices are entered into the fiscal court's computer system and a claims list is prepared and presented to the fiscal court for approval.

The fiscal court did not follow policy requirements to have an established purchase order system or to report the amount of unpaid purchase orders as encumbrances on the fourth quarter report. By not properly following the purchase order system as required, the county exceeded budgeted line items during the year in violation of the *County Budget Preparation and State Local Finance Officer Policy Manual*. Encumbrances could not be determined and were not properly reported resulting in incomplete year-end financial information. Implementing a purchase order system and tracking of encumbrances ensures accurate budget-to-actual analysis used by county management for financial decision making.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states that the purchase order journal is “[a] daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the P.O. number, issue approved by appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of the invoice, date claim reviewed by fiscal court, date paid, and amount paid.” The Department for Local Government guidelines state that the main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. The expenditure to be paid cannot exceed available line item without prior approval of transfer.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-009 The Henry County Fiscal Court Did Not Prepare Purchase Orders And Did Not Report Encumbrances On The Fourth Quarter Financial Statement (Continued)

We recommend the fiscal court establish a well planned and executed purchase order system and monitor their budget to ensure expenditures do not exceed budgeted appropriations. In addition, the fiscal court should implement procedures to track and report encumbrances.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *[Software name redacted] software implements a Purchase Order process effective FY 2023.*
- *Include encumbrance reports on the 4th Quarter Financials to DLG.*

NOTE: *Finding 2020-016 is a repeat finding from FY2019; 2019-010 with an implementation date of December 1, 2021. [Name redacted], County Treasurer, resigned from employment on July 21, 2022 which inhibits verification of completion and/or implementation of the corrective plan in its entirety and/or partial implementation of the plan of action.*

Administration changes in January of 2023 implemented changes that should be reflected in the FY2023 audit.

2022-010 The Henry County Fiscal Court Did Not Comply With The County's Administrative Code Related To Sealed Bidding Procedures

The fiscal court purchased an ambulance using ARPA funds in the amount of \$160,127; however, it did not follow required bidding procedures as required by the county's administrative code and state statutes. The fiscal court did not maintain appropriate documentation to substantiate its obedience to procurement policies and procedures. By not following the required documented bid procedures, the fiscal court was not in compliance with procurement policies and procedures. Implementing effective and well documented procedures for bidding ensures expenditures are compliant with local and state requirements and are properly accounted for.

The county administrative code Section 420.1 states that "Sealed bidding procedures shall be followed under the circumstances, conditions and in the manner as set forth in KRS 45A.365. " KRS 45A.365 states that "All contracts or purchases shall be awarded by competitive sealed bidding." KRS 424.260 requires purchases over \$40,000 (\$30,000 for fiscal year 2022) to be bid.

We recommend the fiscal court follow the sealed bidding procedures as outlined in KRS 45A.365 and KRS 424.260. The fiscal court should maintain adequate documentation to support their compliance with bidding procedures.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Purchases need to follow the Henry County Administrative Code when purchasing.*
- *Update Administrative Code.*

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-011 The Henry County Fiscal Court Is Not In Compliance With Relevant Statutes And Regulations Regarding Alcohol Regulatory Fees

During testing of alcohol regulatory fees, we noted that the Henry County Fiscal Court did not retain a “Calculation Form for Alcohol Regulatory Fee in First Year Following Prohibition” pursuant to 804 KAR 10:031. Also, it was noted that the rate of the alcohol regulatory fee was not annually set at a rate in compliance with KRS 243.075(4). The Henry County alcohol regulatory fee was set at 6% by local ordinance on February 16, 2016, and has remained the same since. Further, our testing of expenditures from the revenues generated by the imposition of the regulatory license fee found three out of four expenditures tested were not directly related to the sale of alcoholic beverages in the county. These include: (1) a payment of a monthly invoice for a lease on a copy machine used by all fiscal court administrative staff, (2) a payment of a monthly invoice for metered postage shared by all fiscal court administrative staff, and (3) a payment for debt service on the purchase of the sheriff’s office building.

The Henry County Fiscal Court and administrative staff were not aware that the rate for the alcohol regulatory fee is required to be set annually at a rate not to exceed qualified expenses in the prior year. Also, the Henry County Fiscal Court and administrative staff were not aware that the revenues generated from the alcohol regulatory fee are required to only be spent on costs that are a direct result of the repeal of prohibition in the county. The Henry County Fiscal Court is not in compliance with relevant statutes and regulations related to alcohol regulatory fees. Also, the Henry County Fiscal Court may be liable for refunds of regulatory license fees.

KRS 243.075(1)(a) states, in part, “a county... that is wet through a local option election held under KRS Chapter 242 is authorized to impose a regulatory license fee.”

KRS 243.075(1)(b) states, “[t]he regulatory license fee may be levied at the beginning of each budget period at a percentage rate that is reasonably estimated to fully reimburse the local government for the estimated costs of any additional policing, regulatory, or administrative expenses related to the sale of alcoholic beverages in the city and county.”

KRS 243.075(4) states, in part, “any fee authorized under subsections (1) and (2) of this section shall be established at a rate that will generate revenue that does not exceed the total of the reasonable expenses actually incurred by the city or county in the immediately previous fiscal year for the additional cost, as demonstrated by reasonable evidence, of: (a) Policing; (b) Regulation; and (c) Administration; as a result of the sale of alcoholic beverages within the city or county.”

KRS 243.075(7) states, in part, “[a]ny city or county found by a court to have violated the provisions of this section shall: (a) Provide a refund as determined by the court to any licensee that has been harmed in an amount equal to its prorated portion of the excess revenues collected by the city or county that are directly attributable to a violation...”

KRS 243.075(9)(b) states, “[a]ny city or county that is authorized to impose the regulatory license fee under subsection (1) of this section...that imposed the regulatory license fee at a rate higher than five percent (5%) prior to June 27, 2019, may continue to impose the regulatory license fee at a rate that exceeds five percent (5%). The rate shall continue to be calculated annually pursuant to the requirements of this section and shall not exceed the rate that was imposed by the city or county on January 1, 2019.”

HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-011 The Henry County Fiscal Court Is Not In Compliance With Relevant Statutes And Regulations Regarding Alcohol Regulatory Fees (Continued)

804 KAR 10:031 Section 2. Allowable Costs and Expenses states, “[t]he costs and expenses subject to reimbursement through a regulatory license fee shall directly and solely relate to the discontinuance of prohibition in the qualified city or county, including reasonable costs and expenses of:

- (1) Employment, salary, and benefits of the city or county alcoholic beverage control administrator and staff who administer alcoholic beverage control laws;
- (2) Office supplies and equipment for the city or county to administer an alcoholic beverage control office;
- (3) Office space for an alcoholic beverage control administrator and staff;
- (4) Travel costs and expenses for the city or county alcoholic beverage control administrator and staff;
- (5) Additional policing expenses that are directly related to the discontinuance of prohibition, which shall include only those costs and expenses incurred solely as a result of the discontinuance of prohibition that are over and above any policing expenses previously incurred; and
- (6) Miscellaneous costs and expenses solely and directly related to the discontinuance of prohibition, if the following information is included on the Calculation Form for Alcohol Regulatory Fee in First Year Following Repeal of Prohibition:
 - (a) A description of the expenditure;
 - (b) A detailed explanation of the necessity of the expenditure as it related to the discontinuance of prohibition; and
 - (c) The cost of the expenditure.”

804 KAR 10:031 Section 3. States, “[a] qualified city or county shall use the Calculation Form for Alcohol Regulatory Fee in First Year Following Repeal of Prohibition to estimate permissible expenses and to establish the fee.”

804 KAR 10:031 Section 4. states “The Calculation Form for Alcohol Regulatory Fee in First Year Following Repeal of Prohibition used by a qualified city or county to determine permissible regulatory fees shall be retained pursuant to 725 KAR 1:061.”

We recommend the Henry County Fiscal Court:

- Consult with the Henry County Attorney to amend their *Ordinance Relating To The Control Of Alcoholic Beverages* to conform to the requirements set forth in KRS 243.075,
- Review state laws related to alcoholic regulatory fees and ensure the license fee rate they are collecting, and expenditures related to those receipts align with applicable state law requirements,
- Establish and document an annual review of qualified prior year expenses as specified in 804 KRS 10:031, to set an appropriate alcohol regulatory rate annually, and
- Strengthen internal controls over the expenditure of alcohol regulatory fee receipts to ensure compliance with 804 KAR 10:031.

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)**

2022-011 The Henry County Fiscal Court Is Not In Compliance With Relevant Statutes And Regulations Regarding Alcohol Regulatory Fees (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

- *Utilize the Calculation Form for Alcohol Regulatory Fee for Budget reference each year.*
- *The 6% Regulatory Fee was set prior to change of KRS 243.075 and allows the continuation of the 6% o Since the expenditures of the ABC Fund justify the 6% regulatory fee, each year since implementation of the Regulatory Fee there has not been a need to reduce the percentage. If there is not a need for the regulatory fee to be reduced or increased the rate would remain the same there is not a requirement to set the rate each year. If no action is taken, the rate would remain the same by default. This process is determined each year when the budget is set. Henry County Fiscal Court understands that if the expenditures are less than the influx of money from the Regulatory Fees that we would, at that time, need to lower the percentage.*
- *Our ABC Administrator has been properly educated and attended the training regarding the administration of ABC funds. The funds are being expended appropriately which has been reflected in previous audits. Henry County Fiscal court acknowledges that we could breakdown the expenditure in more details for the auditors; however, in doing so would cause on a hardship on the limited staff dedicated to administering the ABC account.*

Auditor's Reply: Expenditures from the revenues generated by the imposition of the regulatory license fee should be directly related to the sale of alcoholic beverages in the county and in compliance with 804 KAR 10:031.

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

HENRY COUNTY FISCAL COURT

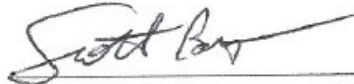
For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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



County Judge/Executive



County Treasurer