

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

**For The Year Ended  
June 30, 2018**



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

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

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

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The Honorable Brad Schneider, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

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

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

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

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Henderson County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Henderson County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### ***Supplementary Information***

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

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

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Brad Schneider, Henderson County Judge/Executive

Members of the Henderson County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2019, on our consideration of the Henderson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henderson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2018-001 The Henderson County Fiscal Court's Payroll Revolving Account Was Not Properly Reconciled
- 2018-002 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances
- 2018-003 The Henderson County Fiscal Court Lacks Internal Controls Over Cash Processes And Financial Reporting
- 2018-004 The Henderson County Fiscal Court Lacks Adequate Controls Over Their Bid Process And Was Not In Compliance With Bid Laws

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

June 12, 2019

**HENDERSON COUNTY OFFICIALS****For The Year Ended June 30, 2018****Fiscal Court Members:**

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

**Other Elected Officials:**

Steve Gold	County Attorney
Amy Brady	Jailer
Renesa Abner	County Clerk
Herbert McKee, Jr.	Circuit Court Clerk
Ed Brady	Sheriff
Howard Moran	Property Valuation Administrator
Bruce Farmer	Coroner

**Appointed Personnel:**

Brenda Duncan-Rider	County Treasurer
Paula Wilson	Financial Officer
William Hubiak	County Engineer



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

**For The Year Ended June 30, 2018**

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

**For The Year Ended June 30, 2018**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 10,073,627	\$	\$
In Lieu Tax Payments	404,635		
Excess Fees	26,329		
Licenses and Permits	133,229		
Intergovernmental	3,022,960	1,668,772	9,029,833
Charges for Services		22,718	109,788
Miscellaneous	146,138	114,644	462,953
Interest	47,057	1,850	62,826
Total Receipts	<u>13,853,975</u>	<u>1,807,984</u>	<u>9,665,400</u>
<b>DISBURSEMENTS</b>			
General Government	7,023,761		
Protection to Persons and Property	479,835		5,382,987
General Health and Sanitation		129,698	
Social Services			
Recreation and Culture		415,216	
Roads		2,657,041	
Bus Services			
Debt Service	282,950	90,596	839,254
Capital Projects	45,710		1,589,532
Administration	617,457	734,963	1,797,646
Total Disbursements	<u>8,449,713</u>	<u>4,027,514</u>	<u>9,609,419</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,404,262</u>	<u>(2,219,530)</u>	<u>55,981</u>
<b>Other Adjustments to Cash (Uses)</b>			
Change in Payroll Revolving Account	(263,694)		
Transfers From Other Funds		2,076,000	500,000
Transfers To Other Funds	(2,826,000)		
Total Other Adjustments to Cash (Uses)	<u>(3,089,694)</u>	<u>2,076,000</u>	<u>500,000</u>
Net Change in Fund Balance	2,314,568	(143,530)	555,981
Fund Balance - Beginning (Restated)	7,928,384	857,604	6,250,378
Fund Balance - Ending	<u>\$ 10,242,952</u>	<u>\$ 714,074</u>	<u>\$ 6,806,359</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 9,327,734	\$ 741,329	\$ 6,508,652
Payroll Revolving Account Reconciled Balance	(433,669)		
Less: Outstanding Checks	(22,917)	(27,255)	(2,293)
Certificates of Deposit	1,371,804		300,000
Fund Balance - Ending	<u>\$ 10,242,952</u>	<u>\$ 714,074</u>	<u>\$ 6,806,359</u>

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

**HENDERSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2018**  
**(Continued)**

Budgeted Funds				Unbudgeted Funds	
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Economic Development Fund	Public Properties Corporation Fund	Jail Commissary Fund
\$	\$	\$	\$	\$	\$
125,558					
365,819	392,021			330,111	
44,617	213,131				1,606,079
155			23		
<u>536,149</u>	<u>605,152</u>		<u>23</u>	<u>330,111</u>	<u>1,606,079</u>
			107,750		
283,666	1,000				
393,206					
197,797	226,771				
9,640					1,355,272
49,957					
32,500					
				330,111	
500					
<u>967,266</u>	<u>227,771</u>		<u>107,750</u>	<u>330,111</u>	<u>1,355,272</u>
<u>(431,117)</u>	<u>377,381</u>		<u>(107,727)</u>		<u>250,807</u>
250,000					
<u>250,000</u>					
(181,117)	377,381		(107,727)		250,807
339,923	260,959		122,677		588,088
<u>\$ 158,806</u>	<u>\$ 638,340</u>	<u>\$ 0</u>	<u>\$ 14,950</u>	<u>\$ 0</u>	<u>\$ 838,895</u>
\$ 179,102	\$ 638,340	\$	\$ 37,700	\$	\$ 841,346
(20,296)			(22,750)		(2,451)
<u>\$ 158,806</u>	<u>\$ 638,340</u>	<u>\$ 0</u>	<u>\$ 14,950</u>	<u>\$ 0</u>	<u>\$ 838,895</u>

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

**HENDERSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>Total</b>	<b>Internal Service</b>
	<b>Funds</b>	<b>Fund</b>
	<b>Total</b>	<b>Health</b>
	<b>Funds</b>	<b>Insurance</b>
	<b>Fund</b>	<b>Fund</b>
<b>RECEIPTS</b>		
Taxes	\$ 10,073,627	\$
In Lieu Tax Payments	404,635	
Excess Fees	26,329	
Licenses and Permits	258,787	
Intergovernmental	14,809,516	
Charges for Services	132,506	
Miscellaneous	2,587,562	2,473,408
Interest	111,911	
Total Receipts	<u>28,404,873</u>	<u>2,473,408</u>
<b>DISBURSEMENTS</b>		
General Government	7,131,511	
Protection to Persons and Property	6,147,488	
General Health and Sanitation	522,904	
Social Services	424,568	
Recreation and Culture	1,780,128	
Roads	2,706,998	
Bus Services	32,500	
Debt Service	1,542,911	
Capital Projects	1,635,242	
Administration	3,150,566	1,924,161
Total Disbursements	<u>25,074,816</u>	<u>1,924,161</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,330,057</u>	<u>549,247</u>
<b>Other Adjustments to Cash (Uses)</b>		
Payroll Revolving Account	(263,694)	
Transfers From Other Funds	2,826,000	
Transfers To Other Funds	<u>(2,826,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(263,694)</u>	
Net Change in Fund Balance	3,066,363	549,247
Fund Balance - Beginning (Restated)	<u>16,348,013</u>	<u>914,997</u>
Fund Balance - Ending	<u>\$ 19,414,376</u>	<u>\$ 1,464,244</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 18,274,203	\$ 1,464,244
Payroll Revolving Account Reconciled Balance	(433,669)	
Less: Outstanding Checks	(97,962)	
Certificates of Deposit	<u>1,671,804</u>	
Fund Balance - Ending	<u>\$ 19,414,376</u>	<u>\$ 1,464,244</u>

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

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TO THE FINANCIAL STATEMENT**

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**HENDERSON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2018**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, 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.

**HENDERSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2018  
(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.

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

Federal Grants Fund - The primary purpose of this fund is to account for activity related to federal grants. The primary source of receipts for this fund is federal grants. This fund did not have any financial activity for fiscal year 2018.

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

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

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

**Internal Service Fund**

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

**D. Budgetary Information**

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

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

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

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

**D. Budgetary Information (Continued)**

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

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

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

**E. Henderson County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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



**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

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

**H. Related Obligations and Joint Ventures**

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

- Henderson County Tourist Commission
- Four Star Industrial Development

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Henderson County Fiscal Court:

- Henderson City-County Planning Commission
- Tri-County Recycling
- Henderson City-County Airport Board
- The Kentucky Network for Development, Leadership, and Engagement (KYNDLE)

**Note 2. Deposits and Investments**

**A. Deposits**

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

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments**

The fiscal court had \$1,264,804 in traditional certificate of deposits (CDs) in which the market and cost basis are the same. Also, the fiscal court had \$407,000 of structured CDs. Structured CDs are a form of complex financial instruments called derivatives. These types of CDs derive their value from the value of other investments. For structured CDs, the performance of their derivative portion is often based on the value of a group or index of stocks. The value of the derivative can be engineered to rise or fall when that index rises or falls, allowing investors to base their CD return on the performance of a particular security or index of securities. Structured CDs do not earn interest, instead their values at maturity is based on the difference between the stock index at a predefined starting and ending points. The amount paid at maturity will not be less than the amount of the original cost basis; however, the CDs must be held to maturity to at least get the cost basis back. The cost basis (as reported on the financial statement) of the structured CDs and the market value was \$407,000 and \$384,284, respectively.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2018.

	General Fund	Total Transfers In
Road Fund	\$ 2,076,000	\$ 2,076,000
Jail Fund	500,000	500,000
LGEA Fund	250,000	250,000
Total Transfers Out	<u>\$ 2,826,000</u>	<u>\$ 2,826,000</u>

Reason for transfers:

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

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$134,854.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 5. Receivables**

**A. Airport**

The Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007, for the purpose of funding an airport expansion (See Note 6F) project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. The balance of the receivable at June 30, 2018, was \$192,010.

**B. Reed Fire Department**

During fiscal year 2013, the Henderson County Fiscal Court loaned \$50,000 to the Reed Volunteer Fire Department. This loan was to be paid back with an annual payment of \$5,000 with no interest added. The fiscal court reduces the amount contributed to the Reed Volunteer Fire Department by \$5,000 each year. The balance of the receivable at June 30, 2018, was \$34,983.

**Note 6. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2012 - Detention Facility Project**

The County of Henderson, Kentucky issued \$1,865,000 General Obligation Refunding Bonds, Series 2012 dated May 2012, for the purpose of refunding and retiring a portion of the county's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2012. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning June 1, 2012. The principal balance outstanding for the bond issue as of June 30, 2018, was \$935,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 180,000	\$ 18,750
2020	185,000	15,870
2021	185,000	12,170
2022	190,000	8,470
2023	195,000	4,290
Totals	<u>\$ 935,000</u>	<u>\$ 59,550</u>

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. General Obligation Refunding Bonds, Series 2013 - Detention Center**

The County of Henderson, Kentucky issued \$3,335,000 General Obligation Refunding Bonds, Series 2013 dated September 2013, for the purpose of refunding and retiring a portion of the county's 2003 Detention Center Bond. Principal payments are due each year on June 1, in amounts indicated below starting June 1, 2014. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning June 1, 2014. The principal balance outstanding for the bond issue as of June 30, 2018, was \$1,790,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 345,000	\$ 48,500
2020	345,000	40,738
2021	355,000	32,112
2022	365,000	22,350
2023	380,000	11,400
Totals	<u>\$ 1,790,000</u>	<u>\$ 155,100</u>

**C. General Obligation Bonds, Series 2015 - 911 Emergency System**

The County of Henderson, Kentucky issued \$3,545,000 General Obligation Bonds, Series 2015 dated November 2015, for the purpose of funding a new 911 emergency system. Principal payments are due each year on December 1, in amounts indicated below starting December 1, 2016. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning June 1, 2016. The principal balance outstanding for the bond issue as of June 30, 2018, was \$3,135,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 210,000	\$ 73,800
2020	215,000	69,550
2021	220,000	65,200
2022	225,000	60,750
2023	230,000	56,200
2024-2028	1,220,000	204,475
2029-2031	815,000	37,125
Totals	<u>\$ 3,135,000</u>	<u>\$ 567,100</u>

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Lease Revenue Refunding Bonds, Series 2017 - Court Facility Project**

The Henderson County Public Properties Corporation issued \$5,495,881 Lease Revenue Refunding Bonds, Series 2017 dated February 9, 2017, for the purpose of refunding and retiring the Courts Facility - Series 2006 Bonds. Principal payments are due each year on February 1, in amounts indicated below starting February 1, 2018. Interest on the bonds will be payable semi-annually on February 1 and August 1, beginning August 1, 2017. The principal balance outstanding for the bond issue as of June 30, 2018, was \$5,281,306. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 611,368	\$ 113,548
2020	624,717	100,404
2021	637,059	86,972
2022	653,475	73,275
2023	664,274	59,226
2024-2026	<u>2,090,413</u>	<u>90,475</u>
Totals	<u>\$ 5,281,306</u>	<u>\$ 523,900</u>

**E. General Obligation Public Project Bonds, Series 2017 – Detention Facility Project**

The County of Henderson, Kentucky Court issued \$2,215,000 General Obligation Public Project Bonds, Series 2017 dated February 7, 2017, for the purpose of financing the costs of acquisition, construction, installation and equipping of improvements to the Henderson County Detention Facility. Principal payments are due each year on March 1, in amounts indicated below starting March 1, 2018. Interest on the bonds will be payable semi-annually on March 1 and September 1, beginning September 1, 2017. The principal balance outstanding for the bond issue as of June 30, 2018, was \$2,015,000. Annual debt service requirement to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 205,000	\$ 49,750
2020	210,000	45,650
2021	215,000	41,450
2022	220,000	37,150
2023	220,000	32,750
2024-2027	<u>945,000</u>	<u>71,850</u>
Totals	<u>\$ 2,015,000</u>	<u>\$ 278,600</u>

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**F. Financing Obligation - Airport Lease**

The County of Henderson, Kentucky entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007, for the purpose of funding an airport expansion project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. Principal and interest payments are due monthly. Interest is charged at a rate of 4.338 percent. The lease will be paid in full on May 20, 2027. The principal balance as of June 30, 2018, was \$192,010. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 16,696	\$ 8,064
2020	17,750	7,347
2021	18,870	6,575
2022	20,061	5,756
2023	21,327	4,884
2024-2027	97,306	9,676
Totals	<u>\$ 192,010</u>	<u>\$ 42,302</u>

**G. Financing Obligation - Gradall Lease**

The County of Henderson, Kentucky entered into a lease agreement with Field & Main Bank on July 20, 2016, for the purpose of purchasing a 2016 Volvo Gradall. The principal amount of the loan was given directly to the vendor. The lease amount was \$260,000. Principal and interest payments are due monthly. Interest is charged at a rate of 2.90 percent. The lease will be paid in full on July 20, 2019. The principal balance as of June 30, 2018, was \$96,485. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 88,974	\$ 1,622
2020	7,511	18
Totals	<u>\$ 96,485</u>	<u>\$ 1,640</u>

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

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

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease Revenue Refunding Bonds	\$ 5,495,881	\$	\$ 214,575	\$ 5,281,306	\$ 611,368
General Obligation Refunding Bonds	3,235,000		510,000	2,725,000	525,000
General Obligation Bonds	5,555,000		405,000	5,150,000	415,000
Financing Obligations	390,592		102,097	288,495	105,670
Total Long-term Debt	<u>\$ 14,676,473</u>	<u>\$ 0</u>	<u>\$ 1,231,672</u>	<u>\$ 13,444,801</u>	<u>\$ 1,657,038</u>

**Note 7. Commitments and Contingencies**

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

**A. Industrial Revenue Bonds**

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

**B. Ambulance Service Agreement**

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a countywide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this agreement for fiscal year ended June 30, 2018, were \$210,098.

**C. Henderson City-County Planning Commission**

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Henderson City-County Planning Commission (planning commission). The planning commission is a joint venture between fiscal court and City of Henderson to assist and promote the orderly development of the county and cities. The fiscal court and City of Henderson are each responsible for 50 percent of the basic administration included in the budget of the planning commission. Expenses incurred under this agreement for fiscal year ended June 30, 2018, were \$370,984.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 7. Commitments and Contingencies (Continued)**

**D. Henderson City-County Airport Board**

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Henderson City-County Airport Board. The Airport Board is a joint venture between the fiscal court and the City of Henderson to assist and promote the Henderson City-County Airport. Expenses incurred under this agreement for fiscal year ended June 30, 2018, was \$135,000.

**E. KYNDLE (Formerly Northwest KY Forward)**

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Kentucky Network for Development, Leadership and Engagement (KYNDLE), which is a joint venture between the fiscal court and City of Henderson to assist and promote Henderson County. Expenses incurred under this agreement for fiscal year ended June 30, 2018, was \$97,750.

**Note 8. Employee Retirement System**

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

The county's contribution for FY 2016 was \$1,214,162, FY 2017 was \$1,302,529, and FY 2018 was \$1,256,770.

Nonhazardous

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

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

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



**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

The county's contribution rate for nonhazardous employees was 19.18 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

Once members reach a minimum vesting period of 15 years, 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%. 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% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. 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, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 9. Deferred Compensation**

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

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

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 9. Deferred Compensation (Continued)**

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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Self-Insurance - Health**

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

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed and administrative costs for fiscal year ending June 30, 2018, were \$335,028. The second component is the claims cost, all of which Henderson County is responsible to pay as they incur. Once an individual exceeds \$100,000 in claims or the county's aggregate claims exceed the predetermined maximum, then the county will receive reimbursements from the reinsurance carrier. These amounts are netted on the bill the county receives. Incurred claims for fiscal year ended June 30, 2018, were \$1,589,132. The Henderson County Fiscal Court's contract with Anthem Blue Cross Blue Shield has no terminal liability provisions. The fiscal court will be responsible to pay all run-out claims after termination. The health insurance fund had a balance of \$1,464,244 as of June 30, 2018.

**Note 11. Health Reimbursement Account**

The Henderson County Fiscal Court established a Health Reimbursement Account in January 2017, to provide employees an additional health benefit. The county has contracted with Wage Works, a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$750 (single health insurance plan) or \$1,500 (family health insurance plan) each year to pay for qualified medical expenses. The balance of the Health Reimbursement Account as of June 30, 2018, that was held with Wage Works was \$89,210. The fiscal court also has a Health Reimbursement Account at a local bank that had a balance of \$31,124, as of June 30, 2018. The account is used to pay out contributions and other costs related to the Health Reimbursement Account to Wage Works.

**Note 12. Insurance**

For the fiscal year ended June 30, 2018, the Henderson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**HENDERSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 13. Subsequent Events**

On March 27, 2019, Henderson County authorized the issuance of General Obligation Refunding Bonds, Series 2019 in the amount of \$952,856 in order to defease the General Obligation Refunding Bonds, Series 2012 - Detention Facility Project.

**Note 14. Related Party Transactions**

The Henderson County Fiscal Court purchased through a sealed bid, a steel deck bridge from a company that employs the finance officer's husband. During the fiscal year, the fiscal court paid \$59,457 to this bridge company.

**Note 15. Payroll Revolving Account**

The reconciled deficit balance of the payroll revolving account as of June 30, 2018, was added to the general fund cash balance for financial reporting purposes.

**Note 16. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Henderson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 17. Prior Period Adjustments**

	General Fund	Road Fund	Jail Fund	LGEA Fund	General Obligation Bond Fund
Ending Cash Balance Prior Year	\$ 6,010,860	\$ 853,350	\$ 6,238,517	\$ 339,817	\$ 1,874,811
Adjustments:					
Rounding	2		(1)		
Prior Year Error		(100)			
Prior Year Voided Checks	54,464	4,354	109	106	
General Obligation Bond Accounts	1,863,058		11,753		(1,874,811)
Beginning Fund Balance Restated	<u>\$ 7,928,384</u>	<u>\$ 857,604</u>	<u>\$ 6,250,378</u>	<u>\$ 339,923</u>	<u>\$</u>

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

**For The Year Ended June 30, 2018**

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

**For The Year Ended June 30, 2018**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 9,359,349	\$ 9,359,349	\$ 10,073,627	\$ 714,278
In Lieu Tax Payments	387,000	387,000	404,635	17,635
Excess Fees	107,145	107,145	26,329	(80,816)
Licenses and Permits	135,000	135,000	133,229	(1,771)
Intergovernmental	2,976,910	2,976,910	3,022,960	46,050
Miscellaneous	126,000	126,000	146,138	20,138
Interest	10,000	10,000	47,057	37,057
Total Receipts	<u>13,101,404</u>	<u>13,101,404</u>	<u>13,853,975</u>	<u>752,571</u>
<b>DISBURSEMENTS</b>				
General Government	7,488,272	7,562,868	7,023,761	539,107
Protection to Persons and Property	502,781	525,408	479,835	45,573
Debt Service	282,950	282,950	282,950	
Capital Projects	1,900,922	1,901,822	45,710	1,856,112
Administration	1,589,112	1,358,475	617,457	741,018
Total Disbursements	<u>11,764,037</u>	<u>11,631,523</u>	<u>8,449,713</u>	<u>3,181,810</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,337,367</u>	<u>1,469,881</u>	<u>5,404,262</u>	<u>3,934,381</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(3,238,288)</u>	<u>(3,738,288)</u>	<u>(2,826,000)</u>	<u>912,288</u>
Total Other Adjustments to Cash (Uses)	<u>(3,238,288)</u>	<u>(3,738,288)</u>	<u>(2,826,000)</u>	<u>912,288</u>
Net Change in Fund Balance	(1,900,921)	(2,268,407)	2,578,262	4,846,669
Fund Balance - Beginning (Restated)	<u>1,900,921</u>	<u>2,400,921</u>	<u>7,928,384</u>	<u>5,527,463</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 132,514</u>	<u>\$ 10,506,646</u>	<u>\$ 10,374,132</u>

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,470,627	\$ 1,470,627	\$ 1,668,772	\$ 198,145
Charges for Services	20,000	20,000	22,718	2,718
Miscellaneous	80,000	80,000	114,644	34,644
Interest	500	500	1,850	1,350
Total Receipts	<u>1,571,127</u>	<u>1,571,127</u>	<u>1,807,984</u>	<u>236,857</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	115,200	137,340	129,698	7,642
Recreation and Culture	285,200	427,968	415,216	12,752
Roads	3,078,848	2,823,344	2,657,041	166,303
Debt Service		90,596	90,596	
Administration	778,377	778,377	734,963	43,414
Total Disbursements	<u>4,257,625</u>	<u>4,257,625</u>	<u>4,027,514</u>	<u>230,111</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,686,498)</u>	<u>(2,686,498)</u>	<u>(2,219,530)</u>	<u>466,968</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>2,686,498</u>	<u>2,686,498</u>	<u>2,076,000</u>	<u>(610,498)</u>
Total Other Adjustments to Cash (Uses)	<u>2,686,498</u>	<u>2,686,498</u>	<u>2,076,000</u>	<u>(610,498)</u>
Net Change in Fund Balance			(143,530)	(143,530)
Fund Balance - Beginning (Restated)			<u>857,604</u>	<u>857,604</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 714,074</u>	<u>\$ 714,074</u>



**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 7,535,115	\$ 7,535,115	\$ 9,029,833	\$ 1,494,718
Charges for Services	67,000	67,000	109,788	42,788
Miscellaneous	415,000	415,000	462,953	47,953
Interest	25,000	25,000	62,826	37,826
Total Receipts	<u>8,042,115</u>	<u>8,042,115</u>	<u>9,665,400</u>	<u>1,623,285</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,801,371	5,908,748	5,382,987	525,761
Debt Service	839,254	839,254	839,254	
Capital Projects	2,155,650	2,155,650	1,589,532	566,118
Administration	1,995,555	2,388,178	1,797,646	590,532
Total Disbursements	<u>10,791,830</u>	<u>11,291,830</u>	<u>9,609,419</u>	<u>1,682,411</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,749,715)</u>	<u>(3,249,715)</u>	<u>55,981</u>	<u>3,305,696</u>
<b>Other Adjustments to Cash (Uses)</b>				
Bond Proceeds	2,155,650	2,155,650		(2,155,650)
Transfers From Other Funds		500,000	500,000	
Total Other Adjustments to Cash (Uses)	<u>2,155,650</u>	<u>2,655,650</u>	<u>500,000</u>	<u>(2,155,650)</u>
Net Change in Fund Balance	(594,065)	(594,065)	555,981	1,150,046
Fund Balance - Beginning (Restated)	<u>594,065</u>	<u>594,065</u>	<u>6,250,378</u>	<u>5,656,313</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,806,359</u>	<u>\$ 6,806,359</u>

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 100,000	\$ 100,000	\$ 125,558	\$ 25,558
Intergovernmental	257,500	293,053	365,819	72,766
Miscellaneous	76,000	76,000	44,617	(31,383)
Interest	1,000	1,000	155	(845)
Total Receipts	434,500	470,053	536,149	66,096
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	257,000	283,666	283,666	
General Health and Sanitation	382,100	494,753	393,206	101,547
Social Services	169,050	197,798	197,797	1
Recreation and Culture	9,640	9,640	9,640	
Roads	50,000	50,000	49,957	43
Bus Services	32,500	32,500	32,500	
Administration	1,000	1,000	500	500
Total Disbursements	901,290	1,069,357	967,266	102,091
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(466,790)	(599,304)	(431,117)	168,187
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	466,790	466,790	250,000	(216,790)
Total Other Adjustments to Cash (Uses)	466,790	466,790	250,000	(216,790)
Net Change in Fund Balance		(132,514)	(181,117)	(48,603)
Fund Balance - Beginning (Restated)			339,923	339,923
Fund Balance - Ending	\$ 0	\$ (132,514)	\$ 158,806	\$ 291,320

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>STATE GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 105,608	\$ 1,226,771	\$ 392,021	\$ (834,750)
Miscellaneous		1,000	213,131	212,131
Total Receipts	<u>105,608</u>	<u>1,227,771</u>	<u>605,152</u>	<u>(622,619)</u>
<b>DISBURSEMENTS</b>				
General Government		1,000,000		1,000,000
Protection to Persons and Property		1,000	1,000	
Social Services	105,608	226,771	226,771	
Total Disbursements	<u>105,608</u>	<u>1,227,771</u>	<u>227,771</u>	<u>1,000,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>377,381</u>	<u>377,381</u>
Net Change in Fund Balance			377,381	377,381
Fund Balance - Beginning			<u>260,959</u>	<u>260,959</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 638,340</u>	<u>\$ 638,340</u>

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 167,944	\$	\$ (167,944)
Total Receipts		167,944		(167,944)
<b>DISBURSEMENTS</b>				
Airports		167,944		167,944
Total Disbursements		167,944		167,944
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	0
		\$	0	\$
		0	\$	0
		0	\$	0

**HENDERSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

<b>ECONOMIC DEVELOPMENT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 23	\$ 23
Total Receipts			23	23
<b>DISBURSEMENTS</b>				
General Government	85,000	107,750	107,750	
Total Disbursements	85,000	107,750	107,750	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(85,000)	(107,750)	(107,727)	23
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	85,000	85,000		(85,000)
Total Other Adjustments to Cash (Uses)	85,000	85,000		(85,000)
Net Change in Fund Balance		(22,750)	(107,727)	(84,977)
Fund Balance - Beginning		22,750	122,677	99,927
Fund Balance - Ending	\$ 0	\$ 0	\$ 14,950	\$ 14,950

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

**June 30, 2018**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund**

Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (2,826,000)
To adjust for Payroll Revolving Account	<u>(263,694)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (3,089,694)</u>
Fund Balance - Ending - Budgetary Basis	\$ 10,506,646
To adjust for Payroll Revolving Account	<u>(263,694)</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 10,242,952</u>

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

**For The Year Ended June 30, 2018**

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

**For The Year Ended June 30, 2018**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 648,213	\$	\$ 25,000	\$ 623,213
Construction In Progress	335,613	1,332,311		1,667,924
Buildings	21,969,061	123,583		22,092,644
Vehicles and Equipment	7,417,393	523,359	43,805	7,896,947
Equipment - Jail Commissary	31,655	39,341		70,996
Infrastructure	11,133,808	774,978		11,908,786
 Total Capital Assets	 \$ 41,535,743	 \$ 2,793,572	 \$ 68,805	 \$ 44,260,510

**HENDERSON COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2018**

**Note 1. Capital Assets**

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

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

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

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

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement and have issued our report thereon dated June 12, 2019.

**Internal Control Over Financial Reporting**

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

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

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 as items 2018-001, 2018-002, and 2018-003 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 deficiency described in the accompanying Schedule of Findings and Responses as item 2018-004 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Henderson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-003, and 2018-004.

**Views of Responsible Official and Planned Corrective Action**

Henderson County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and 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,



Mike Harmon  
Auditor of Public Accounts

June 12, 2019

**HENDERSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2018**

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**HENDERSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2018**

FINANCIAL STATEMENT FINDINGS:

2018-001 The Henderson County Fiscal Court's Payroll Revolving Account Was Not Properly Reconciled

This is a repeat finding and was included in the prior year audit report as finding 2017-001. During the current year, the ending balance in the payroll revolving account did not accurately reflect the actual position of the county with regards to the payroll funds due to improper reconciliation that caused activities of different accounts to comingle with the payroll funds. According to the county treasurer's June 30, 2018 reconciliation, the payroll revolving account had a balance of \$264,942, when in reality it had a negative balance of \$433,669, the difference of \$698,611, was the balance of the self-insurance fund.

The maintenance of payroll records was inadequate as there were no ledgers supporting all of the activity that was taking place in the fund during the year. Because the payroll activity was comingled with self-insurance payments, an accounting for all transactions was practically impossible.

As a result of poor reconciliation, the respective cash balances of the self-insurance fund and the payroll revolving account were inaccurately reported. The payroll revolving account should zero out at the end of the year or reconcile to a minimal carrying balance. However, because of the improper handling of the payroll activities, the payroll revolving account had a negative \$433,669 ending balance as of June 30, 2018.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires monthly bank reconciliations. Additionally, strong internal controls over bank reconciliations are vital in ensuring that cash balances have been accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them.

We recommend the payroll revolving account be properly reconciled on a monthly basis. In addition, we recommend the fiscal court maintain the activity of the self-insurance fund in a separately budgeted fund. Such activity should not be comingled with that of the payroll revolving account, which will reduce the complexity of the reconciliations as well as to ensure the proper handling of these funds. The county should also ensure that the payroll revolving account maintain a zero or minimum positive cash balance at the end of each period. Additionally, the self-insurance fund should be included on the financial statement as a budgeted fund, and post transfers to the self-insurance fund as expenses in the proper funds.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: January 2017, the county began employee HRA funding with a separate account. February 2018 the county began utilizing a separate account for self-funded employee health insurance. Action is currently being taken to resolve this finding; with the June 25, 2019 court meeting approval the payroll and self-health insurance funds should be completely segregated and with court approval a minimum balance established for the payroll revolving account. Effective July 1, 2019 the self-insurance fund will be included on the financial statement as a budgeted fund.*

**HENDERSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2018  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 Weak Internal Controls Over Debt And Debt Service Resulted In The Misstatement Of Outstanding Debt Balances

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This is a repeat finding and was included in the prior year audit report as finding 2017-002. Material weaknesses existed over the reporting of liabilities and the debt of Henderson County, including a lack of segregation of duties. As a result, the June 30, 2018 outstanding debt balances reported on the Fourth Quarter Financial Report were materially misstated when compared to the actual debt balances confirmed with lenders. According to the Fourth Quarter Financial Report, total long-term liabilities were \$7,665,000 as of June 30, 2018. This figure excludes three debt agreements totaling \$5,569,801 and understated the reported liabilities by \$210,000. The combined misstatement is \$5,779,801.

The county failed to implement a strong internal control system over liabilities and debt service, and instead relied on a single person without adequate oversight. This lack of internal controls resulted in the county's Fourth Quarter Financial Report being materially misstated. Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting.

We recommend the county strengthen internal controls over the reporting of debt service payments and outstanding liability balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with its lenders to verify outstanding debt balances are in agreement with the county's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: With the accounting software conversion and more timely completion of prior year audits, the treasurer's knowledge has increased and progress continues implementing compensating controls over insight and segregation of duties.*

2018-003 The Henderson County Fiscal Court Lacks Internal Controls Over Cash Processes And Financial Reporting

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The Henderson County Fiscal Court had internal control deficiencies and noncompliances regarding cash processes and financial reporting. The following findings were noted with Henderson County Fiscal Court's cash processes and financial reporting:

- Monthly bank reconciliations were inaccurate for the general and jail funds, as well as the payroll revolving account. The general fund June 30 reconciliation included a deposit in transit in the amount of \$260,697, which actually cleared the bank on June 29. The jail fund had a \$250 deposit in transit, which wasn't a real deposit in transit, but rather an adjustment made by the county treasurer when switching accounting software. Lastly, the payroll revolving account included an outstanding check in the amount of \$660, which cleared the bank on October 6, 2017.
- Interest earned on certificates of deposit in the amount of \$1,422 was not posted to the general fund receipts ledger, but rather, when the treasurer converted software in October 2017, she brought on the CDs at their current value.
- The financial activity for the Public Properties Corporation (PPC) had not been maintained. The Administrative Office of the Courts (AOC) paid debt service payments on behalf of the Henderson County Fiscal Court in the amount of \$330,111.

**HENDERSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2018  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-003 The Henderson County Fiscal Court Lacks Internal Controls Over Cash Processes And Financial Reporting (Continued)

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The cause of these issues was the county treasurer's lack of understanding and inability to grasp all accounting concepts and responsibilities. The Henderson County Fiscal Court's lack of controls resulted in the general fund and jail fund cash balances being overstated by \$260,697 and \$250, respectively, as well as, the financial activity of the PPC being understated by \$330,111. Additionally, receipts for the general fund were understated by \$1,422.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires monthly bank reconciliations. Additionally, strong internal controls over bank reconciliations are vital in ensuring that cash balances have been accounted for properly. Strong internal controls are also important in safeguarding the county's assets and those given the responsibility of accounting for them.

We recommend:

- Accurate monthly bank reconciliations should be performed for all funds of the Henderson County Fiscal Court.
- All interest earned on certificates of deposit should be recorded to the appropriate fund's receipts ledger.
- All financial activity for the PPC should be maintained by the county treasurer.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The accounting software conversion presented issues that were not identified immediately, but as the treasurer became more familiar with the software the issues were corrected. With ongoing procedures, more accurate bank reconciliations are being done, interest on certificate of deposits being posted, and a spreadsheet listing PPC activity has been developed by the treasurer.*

2018-004 The Henderson County Fiscal Court Lacks Adequate Controls Over Their Bid Process And Was Not In Compliance With Bid Laws

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The Henderson County Fiscal Court failed to bid out fuel for fiscal year 2018. Henderson County purchased fuel from a vendor multiple times throughout the fiscal year, and these purchases combined exceeded \$200,000. The Henderson County Fiscal Court also failed to bid out four capital asset additions over \$20,000 in fiscal year 2018.

According to the county treasurer, the county was unaware that they were supposed to bid out a cost (fuel) that exceeded \$20,000 for the entire year. They thought since each individual purchase was less than \$20,000 it was not necessary to bid. Additionally, it was an oversight due to different departments handling the purchases of capital assets.

Since bidding procedures were not followed, it is possible that the county did not get the lowest rate for fuel purchased or lowest price on the capital assets. This also puts the county at higher risk for potential fraudulent purchases.

**HENDERSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2018  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 The Henderson County Fiscal Court Lacks Adequate Controls Over Their Bid Process And Was Not In Compliance With Bid Laws (Continued)

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Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws, and to keep good records of all bid transactions. KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. The fiscal court should also document these procedures in the fiscal court minutes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Currently a committee of court members and the Judge are reviewing and updating county codes and policies. Information is being gathered for a workshop in the future detailing bidding procedures and purchases, requirements for following state contract pricing purchasing, and changes to these.*

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


**For The Year Ended June 30, 2018**

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

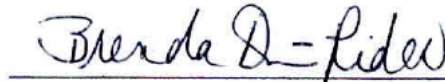
For The Year Ended June 30, 2018

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



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County Judge/Executive



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County Treasurer