

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

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



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
HENRY COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Henry County Fiscal Court for the fiscal year ended June 30, 2016.

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

Financial Condition:

The Henry County Fiscal Court had total receipts of \$4,930,741 and disbursements of \$5,650,261 in fiscal year 2016. This resulted in a total ending fund balance of \$2,722,490, which is a decrease of \$719,520 from the prior year.

Findings:

- 2016-001 The Henry County Fiscal Court Lacks Segregation Of Duties Over Receipts And Bank Reconciliations
- 2016-002 The Henry County Fiscal Court Lacks Segregation of Duties Over Payroll

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable John Logan Brent, Henry County Judge/Executive
Members of the Henry 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 Henry County Fiscal Court, for the year ended June 30, 2016, 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.

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.



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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.

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 Henry County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Henry County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Henry 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, 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 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 Henry 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:

- 2016-001 The Henry County Fiscal Court Lacks Segregation Of Duties Over Receipts And Bank Reconciliations
- 2016-002 The Henry County Fiscal Court Lacks Segregation Of Duties Over Payroll

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 28, 2017

HENRY COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

John Logan Brent	County Judge/Executive
Scott Bates	Magistrate
Jerry Beasley	Magistrate
Jason Stanley	Magistrate
Michael Fischer	Magistrate
Ricky Timberland	Magistrate
Tony Moffett	Magistrate

Other Elected Officials:

Virginia Harrod	County Attorney
Scot Southworth	Jailer
Shanda Archer	County Clerk
Gina Lyle	Circuit Court Clerk
Danny Cravens	Sheriff
Jason Scriber	Property Valuation Administrator
James Pollard	Coroner

Appointed Personnel:

Katie Mathis	County Treasurer
Peggy Bryant	Chief Financial Officer/ Deputy County Judge/Executive

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,191,786	\$	\$
Excess Fees	69,806		
Licenses and Permits	191,513		
Intergovernmental	239,985	1,208,802	121,712
Charges for Services	667,997		16,203
Miscellaneous	1,055,033	17,381	56
Interest	4,429	5,792	10
Total Receipts	<u>3,420,549</u>	<u>1,231,975</u>	<u>137,981</u>
DISBURSEMENTS			
General Government	1,503,308		
Protection to Persons and Property	826,595		547,147
General Health and Sanitation	119,560		
Social Services	8,000		
Recreation and Culture	133,978		
Roads		1,099,899	
Debt Service	60,337		
Capital Projects	61,829		
Administration	902,917	214,740	27,015
Total Disbursements	<u>3,616,524</u>	<u>1,314,639</u>	<u>574,162</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(195,975)</u>	<u>(82,664)</u>	<u>(436,181)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	125,329		455,000
Transfers To Other Funds	(468,451)	(125,329)	
Total Other Adjustments to Cash (Uses)	<u>(343,122)</u>	<u>(125,329)</u>	<u>455,000</u>
Net Change in Fund Balance	(539,097)	(207,993)	18,819
Fund Balance - Beginning (Restated)	1,529,876	1,696,372	5,833
Fund Balance - Ending	<u>\$ 990,779</u>	<u>\$ 1,488,379</u>	<u>\$ 24,652</u>
Composition of Fund Balance			
Bank Balance	\$ 56,968	\$ 90,044	\$ 54,071
Plus: Deposits In Transit	2,888		
Less: Outstanding Checks	(12,686)	(1,699)	(29,419)
Certificates of Deposit	943,609	1,400,034	
Fund Balance - Ending	<u>\$ 990,779</u>	<u>\$ 1,488,379</u>	<u>\$ 24,652</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, 2016
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Solid Waste Fund	Emergency 911 Fund	Fair Fund	Total Funds
\$	\$	\$ 45,229	\$	\$ 1,237,015
				69,806
				191,513
64,825	24,299			1,659,623
				684,200
			5,818	1,078,288
15	18	32		10,296
<u>64,840</u>	<u>24,317</u>	<u>45,261</u>	<u>5,818</u>	<u>4,930,741</u>
				1,503,308
39,840		15,489		1,429,071
4,000	32,031			155,591
33,000				41,000
4,558			15,815	154,351
				1,099,899
				60,337
				61,829
	203			1,144,875
<u>81,398</u>	<u>32,234</u>	<u>15,489</u>	<u>15,815</u>	<u>5,650,261</u>
<u>(16,558)</u>	<u>(7,917)</u>	<u>29,772</u>	<u>(9,997)</u>	<u>(719,520)</u>
			13,451	593,780
				(593,780)
			13,451	
(16,558)	(7,917)	29,772	3,454	(719,520)
34,150	42,646	131,451	1,682	3,442,010
<u>\$ 17,592</u>	<u>\$ 34,729</u>	<u>\$ 161,223</u>	<u>\$ 5,136</u>	<u>\$ 2,722,490</u>
\$ 17,592	\$ 34,798	\$ 161,223	\$ 6,636	\$ 421,332
				2,888
	(69)		(1,500)	(45,373)
				2,343,643
<u>\$ 17,592</u>	<u>\$ 34,729</u>	<u>\$ 161,223</u>	<u>\$ 5,136</u>	<u>\$ 2,722,490</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, 2016

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 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.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

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

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

E. Henry County Elected Officials

Kentucky law provides for election of the officials 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.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Henry County Elected Officials (Continued)

- 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.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2016.

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 125,329	\$ 125,329
Jail Fund	455,000		455,000
Fair Fund	13,451		13,451
Total Transfers Out	<u>\$ 468,451</u>	<u>\$ 125,329</u>	<u>\$ 593,780</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. Long-term Debt

A. Financial Obligation - Courthouse Annex

On October 29, 1999, the Henry County Fiscal Court entered into a financial obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for the purchase of the Courthouse Annex county office building in the amount of \$375,000. The obligation (\$356,417) was refinanced on May 7, 2001, with the terms being changed to a variable interest rate on the unpaid principal, and with monthly payments due the twentieth of each month. The obligation is to be paid in full on May 20, 2020. The principal balance was \$104,138 as of June 30, 2016. The following table shows the scheduled interest (based upon an interest rate of four percent) and principal amounts during the next four years and thereafter:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 24,264	\$ 4,074
2018	25,795	3,027
2019	27,423	1,912
2020	26,656	715
Totals	<u>\$ 104,138</u>	<u>\$ 9,728</u>

B. Financial Obligation - Track Loader

On November 24, 2004, the Henry County Fiscal Court entered in an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$79,011. The purpose of the financing was for the purchase of a track loader. The term for this agreement was ten years with the balance to be paid in full July 20, 2015. The principal balance was paid in full as scheduled.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 4. Long-term Debt (Continued)

C. Financial Obligation - Land Purchased

On February 8, 2007, the Henry County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) Program for \$302,782. The purpose of the financing was for the purchase of land for the building of a senior citizens center, a park, and possibly a new health department building. The term for this agreement was ten years with a variable interest rate, based upon an interest rate swap, with the balance to be paid in full by January 20, 2017. The principal balance was \$32,782 as of June 30, 2016. The following table shows the scheduled remaining interest and principal amounts due:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 32,782	\$ 978
Totals	\$ 32,782	\$ 978

D. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 203,754		\$ 66,834	\$ 136,920	\$ 57,046
Total Long-term Debt	\$ 203,754	\$ 0	\$ 66,834	\$ 136,920	\$ 57,046

Note 5. Employee Retirement System

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.95 percent.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Employee Retirement System (Continued)

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

The county's contribution for FY 2014 was \$382,065, FY 2015 was \$388,158, and FY 2016 was \$332,524.

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.

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.

CERS also provides post-retirement health care coverage as follows:

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

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

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

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, such 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.

HENRY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Employee Retirement System (Continued)

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/employers/GASB/Pages/GASB-Library.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

In July 1999, 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 that have elected to participate.

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

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

Note 7. Insurance

For the fiscal year ended June 30, 2016, Henry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of 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 8. Accounts Receivable

The Henry County Fiscal Court provides ambulance services for citizens in the county. The ambulance service bills Medicare, Medicaid, health insurance companies, and individuals for services provided. Unpaid bills at June 30, 2016, totaled \$231,984.

Note 9. Prior Period Adjustments

The beginning balance of the general fund was restated by (\$205) due to the correction of errors in the prior year.

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HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,121,501	\$ 1,121,501	\$ 1,191,786	\$ 70,285
Excess Fees	75,532	75,532	69,806	(5,726)
Licenses and Permits	202,001	202,001	191,513	(10,488)
Intergovernmental	268,208	268,208	239,985	(28,223)
Charges for Services	801,000	801,000	667,997	(133,003)
Miscellaneous	1,093,953	1,093,953	1,055,033	(38,920)
Interest	3,500	3,500	4,429	929
Total Receipts	<u>3,565,695</u>	<u>3,565,695</u>	<u>3,420,549</u>	<u>(145,146)</u>
DISBURSEMENTS				
General Government	1,704,836	1,739,998	1,503,308	236,690
Protection to Persons and Property	886,456	925,489	826,595	98,894
General Health and Sanitation	132,204	135,788	119,560	16,228
Social Services	8,000	8,000	8,000	
Recreation and Culture	130,130	137,742	133,978	3,764
Debt Service	60,338	60,338	60,337	1
Capital Projects	62,000	62,000	61,829	171
Administration	1,093,651	1,008,260	902,917	105,343
Total Disbursements	<u>4,077,615</u>	<u>4,077,615</u>	<u>3,616,524</u>	<u>461,091</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(511,920)</u>	<u>(511,920)</u>	<u>(195,975)</u>	<u>315,945</u>
Other Adjustments to Cash (Uses)				
Borrowed Money	27,500	27,500		(27,500)
Adjustment to Prior Year Surplus	126	126		(126)
Transfers From Other Funds	125,329	125,329	125,329	
Transfers To Other Funds	(462,548)	(462,548)	(468,451)	(5,903)
Total Other Adjustments to Cash (Uses)	<u>(309,593)</u>	<u>(309,593)</u>	<u>(343,122)</u>	<u>(33,529)</u>
Net Change in Fund Balance	(821,513)	(821,513)	(539,097)	282,416
Fund Balance - Beginning (Restated)	<u>821,513</u>	<u>906,513</u>	<u>1,529,876</u>	<u>623,363</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 85,000</u>	<u>\$ 990,779</u>	<u>\$ 905,779</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,152,116	\$ 1,152,116	\$ 1,208,802	\$ 56,686
Miscellaneous	6,300	6,300	17,381	11,081
Interest	6,500	6,500	5,792	(708)
Total Receipts	<u>1,164,916</u>	<u>1,164,916</u>	<u>1,231,975</u>	<u>67,059</u>
DISBURSEMENTS				
Roads	1,118,742	1,215,586	1,099,899	115,687
Administration	243,000	231,156	214,740	16,416
Total Disbursements	<u>1,361,742</u>	<u>1,446,742</u>	<u>1,314,639</u>	<u>132,103</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(196,826)</u>	<u>(281,826)</u>	<u>(82,664)</u>	<u>199,162</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(125,329)</u>	<u>(125,329)</u>	<u>(125,329)</u>	
Total Other Adjustments to Cash (Uses)	<u>(125,329)</u>	<u>(125,329)</u>	<u>(125,329)</u>	
Net Change in Fund Balance	(322,155)	(407,155)	(207,993)	199,162
Fund Balance Beginning	<u>322,155</u>	<u>322,155</u>	<u>1,696,372</u>	<u>1,374,217</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (85,000)</u>	<u>\$ 1,488,379</u>	<u>\$ 1,573,379</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 127,000	\$ 127,000	\$ 121,712	\$ (5,288)
Charges for Services	10,001	10,001	16,203	6,202
Miscellaneous	1,512	1,512	56	(1,456)
Interest	70	70	10	(60)
Total Receipts	<u>138,583</u>	<u>138,583</u>	<u>137,981</u>	<u>(602)</u>
DISBURSEMENTS				
Protection to Persons and Property	543,080	553,080	547,147	5,933
Administration	44,600	34,600	27,015	7,585
Total Disbursements	<u>587,680</u>	<u>587,680</u>	<u>574,162</u>	<u>13,518</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(449,097)</u>	<u>(449,097)</u>	<u>(436,181)</u>	<u>12,916</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	449,097	449,097	455,000	5,903
Total Other Adjustments to Cash (Uses)	<u>449,097</u>	<u>449,097</u>	<u>455,000</u>	<u>5,903</u>
Net Change in Fund Balance			18,819	18,819
Fund Balance - Beginning			<u>5,833</u>	<u>5,833</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,652</u>	<u>\$ 24,652</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
	RECEIPTS			
Intergovernmental	\$ 80,000	\$ 80,000	\$ 64,825	\$ (15,175)
Interest	100	100	15	(85)
Total Receipts	<u>80,100</u>	<u>80,100</u>	<u>64,840</u>	<u>(15,260)</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	40,000	40,000	39,840	160
General Health and Sanitation	8,000	4,000	4,000	
Social Services	29,001	33,751	33,000	751
Recreation and Culture	5,750	5,500	4,558	942
Administration	501	1	1	1
Total Disbursements	<u>83,252</u>	<u>83,252</u>	<u>81,398</u>	<u>1,854</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,152)</u>	<u>(3,152)</u>	<u>(16,558)</u>	<u>(13,406)</u>
Net Change in Fund Balance	(3,152)	(3,152)	(16,558)	(13,406)
Fund Balance Beginning	<u>3,152</u>	<u>3,152</u>	<u>34,150</u>	<u>30,998</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,592</u>	<u>\$ 17,592</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 26,000	\$ 26,000	\$ 24,299	\$ (1,701)
Interest			18	18
Total Receipts	<u>26,000</u>	<u>26,000</u>	<u>24,317</u>	<u>(1,683)</u>
DISBURSEMENTS				
General Health and Sanitation	32,500	33,225	32,031	1,194
Administration	1,600	875	203	672
Total Disbursements	<u>34,100</u>	<u>34,100</u>	<u>32,234</u>	<u>1,866</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,100)</u>	<u>(8,100)</u>	<u>(7,917)</u>	<u>183</u>
Net Change in Fund Balance	(8,100)	(8,100)	(7,917)	183
Fund Balance Beginning	<u>8,100</u>	<u>8,100</u>	<u>42,646</u>	<u>34,546</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 34,729</u>	<u>\$ 34,729</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 50,003	\$ 50,003	\$ 45,229	\$ (4,774)
Interest	50	50	32	(18)
Total Receipts	<u>50,053</u>	<u>50,053</u>	<u>45,261</u>	<u>(4,792)</u>
DISBURSEMENTS				
Protection to Persons and Property	49,551	49,551	15,489	34,062
Administration	502	502		502
Total Disbursements	<u>50,053</u>	<u>50,053</u>	<u>15,489</u>	<u>34,564</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>29,772</u>	<u>29,772</u>
Net Change in Fund Balance			29,772	29,772
Fund Balance Beginning			<u>131,451</u>	<u>131,451</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161,223</u>	<u>\$ 161,223</u>

HENRY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	FAIR FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1	\$ 1	\$	\$ (1)
Miscellaneous	7,002	7,002	5,818	(1,184)
Interest	50	50		(50)
Total Receipts	<u>7,053</u>	<u>7,053</u>	<u>5,818</u>	<u>(1,235)</u>
DISBURSEMENTS				
Recreation and Culture	19,502	19,502	15,815	3,687
Administration	1,002	1,002		1,002
Total Disbursements	<u>20,504</u>	<u>20,504</u>	<u>15,815</u>	<u>4,689</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(13,451)</u>	<u>(13,451)</u>	<u>(9,997)</u>	<u>3,454</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>13,451</u>	<u>13,451</u>	<u>13,451</u>	
Total Other Adjustments to Cash (Uses)	<u>13,451</u>	<u>13,451</u>	<u>13,451</u>	
Net Change in Fund Balance			3,454	3,454
Fund Balance Beginning			<u>1,682</u>	<u>1,682</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,136</u>	<u>\$ 5,136</u>

HENRY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

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

For The Year Ended June 30, 2016

HENRY COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 681,782	\$	\$	\$ 681,782
Buildings Building Improvements	2,549,262			2,549,262
Vehicles	1,296,235	150,496		1,446,731
Equipment	1,207,727		39,998	1,167,729
Infrastructure	5,935,370	468,501		6,403,871
Total Capital Assets	<u>\$ 11,670,376</u>	<u>\$ 618,997</u>	<u>\$ 39,998</u>	<u>\$ 12,249,375</u>

HENRY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2016

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-25

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Logan Brent, Henry County Judge/Executive
Members of the Henry 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 Henry County Fiscal Court for the fiscal year ended June 30, 2016 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 March 28, 2017.

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) 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 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.

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. *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2016-001 and 2016-002.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 28, 2017

**HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

HENRY COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2016

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2016-001 The Henry County Fiscal Court Lacks Segregation Of Duties Over Receipts And Bank Reconciliations

This is a repeat finding that was included in the prior year report as finding 2015-001. The county lacks segregation of duties over receipts and bank reconciliations. The same person collects receipts, creates the deposit ticket, takes the deposit to the bank, records the receipts in the ledger, and reconciles the bank account. There is no independent review of these procedures. The county does not have any other employees separate from the treasurer involved in checking deposits and bank reconciliations. When control procedures are performed by the same employee and no compensating controls are in place, the risk for material misstatement significantly increases due to undetected error or fraud. A proper segregation of duties over the accounting and reporting functions, such as preparation of bank reconciliation reports or implementing compensating controls, when necessary because of limited staff, is essential for providing protection from undetected errors. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. We recommend the county separate the control functions related to receipts and bank reconciliations, or implement procedures to begin having these steps reviewed for accuracy. The review should be performed by someone not involved in the process and be confirmed by initials of the reviewer on all documents reviewed.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is due to a lack of personnel in our office. These deposits require to be done in a timely manner and it is not always possible to have dual control over this matter.

2016-002 The Henry County Fiscal Court Lacks Segregation Of Duties Over Payroll

This is a repeat finding that was included in the prior year report as finding 2015-002. In reviewing controls over payroll, we determined there is a lack of segregation of duties related to payroll. The same employee enters payroll data into the payroll system, reviews it 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 performed without independent review. The county has a lack of segregation of duties over payroll due to lack of personnel. When control procedures are performed by the same employee and no compensating controls are in place, the risk for material misstatement due to undetected error or fraud significantly increases. Good internal controls dictate adequate segregation of duties to prevent the same person from having complete control in the receiving, recording, and reporting of funds. We recommend the county separate the functions related to payroll: writing checks, posting to ledgers, preparing monthly bank reconciliation, and comparing financial reports to ledgers. If, due to a limited budget, this is not feasible, cross-checking procedures could be implemented and documented by the individual performing the procedure.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Again, due to lack of personnel, it is not always feasible to have other personnel help with Payroll. [Finance officer] has taken over the payroll and is doing a tremendous job with it. Supervisor[s] have been informed that all time sheets be authorized by them and that time sheets all verified correct before they are turned in. The Judge Executive is reviewing the time sheets not reviewed by Supervisors or Payroll/Human Resources person.

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

HENRY COUNTY FISCAL COURT

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


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
HENRY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

