

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

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



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

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Webster County Fiscal Court for fiscal year ended June 30, 2015.

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

Financial Condition:

The Webster County Fiscal Court had total receipts of \$11,263,159 and disbursements of \$11,442,101 in fiscal year 2015. This resulted in a total ending fund balance of \$2,264,168, which is a decrease of \$178,942 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Lacks Adequate Internal Controls Over The Capital Asset Schedule
- 2015-002 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2015-003 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260 And Failed To Properly Surplus Assets

Deposits:

The fiscal court 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 Steve Henry, Webster County Judge/Executive

Honorable James R. Townsend, Former Webster County Judge/Executive

Members of the Webster 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 Webster County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Webster 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 more fully in Note 1 of the financial statement, the financial statement is prepared by the Webster 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 Webster County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Webster 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. 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 presented 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 November 21, 2016 on our consideration of the Webster 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 Webster County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Lacks Adequate Internal Controls Over The Capital Asset Schedule
- 2015-002 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2015-003 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260 And Failed To Properly Surplus Assets

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 21, 2016

WEBSTER COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Steve Henry	County Judge/Executive
James R. Townsend	Former County Judge/Executive
Chad Townsend	Magistrate
Tony Felker	Magistrate
Jerry Brown	Magistrate

Other Elected Officials:

William Clint Prow	County Attorney
Terry Elder	Jailer
Valerie Newell	County Clerk
Amy Villines	Circuit Court Clerk
Frankie Springfield	Sheriff
Jeffrey Kelley	Property Valuation Administrator
Larry Vanover	Coroner

Appointed Personnel:

Paula K. Guinn	County Treasurer
Lessa Russell	Chief Financial Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,375,619	\$	\$
In Lieu Tax Payments	8,682		
Licenses and Permits	10,709		
Intergovernmental	1,276,628	1,836,184	2,702,729
Charges for Services	5,360		60,255
Miscellaneous	331,776	470,494	131,492
Interest	3,435	2,823	2,415
Total Receipts	<u>3,012,209</u>	<u>2,309,501</u>	<u>2,896,891</u>
DISBURSEMENTS			
General Government	1,556,231		
Protection to Persons and Property	411,039		2,188,662
General Health and Sanitation	33,800		
Social Services	172		
Recreation and Culture			
Roads		1,868,982	
Airport			
Debt Service			366,002
Administration	931,450	253,399	545,013
Total Disbursements	<u>2,932,692</u>	<u>2,122,381</u>	<u>3,099,677</u>
Net Change in Fund Balance	79,517	187,120	(202,786)
Fund Balance - Beginning (Restated)	281,836	247,095	518,514
Fund Balance - Ending	<u>\$ 361,353</u>	<u>\$ 434,215</u>	<u>\$ 315,728</u>
Composition of Fund Balance			
Bank Balance	\$ 657,542	\$ 446,388	\$ 321,112
Less: Outstanding Checks	<u>(296,189)</u>	<u>(12,173)</u>	<u>(5,384)</u>
Fund Balance - Ending	<u>\$ 361,353</u>	<u>\$ 434,215</u>	<u>\$ 315,728</u>

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

WEBSTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Local Government Economic Assistance Fund	Budgeted Funds		Unbudgeted Funds	
	State Grants Fund	Sanitation Fund	Animal Shelter Fund	Sewer Replacement Fund
\$	\$	\$	\$	\$
1,060		188,992		
1,628,574	433,460			
279				
345,300			75,000	
2,264	66	258	95	188
<u>1,977,477</u>	<u>433,526</u>	<u>189,250</u>	<u>75,095</u>	<u>188</u>
213,415	75,556			
74,946	13,386			
1,478,024	114,753	191,753		
132,699				
34,424	656			
176,703	249,980			
2,421				
136,588		14,099		
<u>2,249,220</u>	<u>454,331</u>	<u>205,852</u>		
(271,743)	(20,805)	(16,602)	75,095	188
1,223,037	29,372	55,304		37,480
<u>\$ 951,294</u>	<u>\$ 8,567</u>	<u>\$ 38,702</u>	<u>\$ 75,095</u>	<u>\$ 37,668</u>
\$ 981,479	\$ 15,459	\$ 38,702	\$ 75,095	\$ 37,668
(30,185)	(6,892)			
<u>\$ 951,294</u>	<u>\$ 8,567</u>	<u>\$ 38,702</u>	<u>\$ 75,095</u>	<u>\$ 37,668</u>

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

WEBSTER COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Bond Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS			
Taxes	\$	\$	\$ 1,375,619
In Lieu Tax Payments			8,682
Licenses and Permits			200,761
Intergovernmental	200,135	168,763	8,246,473
Charges for Services			65,894
Miscellaneous			1,354,062
Interest		124	11,668
Total Receipts	<u>200,135</u>	<u>168,887</u>	<u>11,263,159</u>
DISBURSEMENTS			
General Government			1,845,202
Protection to Persons and Property			2,688,033
General Health and Sanitation			1,818,330
Social Services			132,871
Recreation and Culture		177,813	212,893
Roads			2,295,665
Airport			2,421
Debt Service	199,135		565,137
Administration	1,000		1,881,549
Total Disbursements	<u>200,135</u>	<u>177,813</u>	<u>11,442,101</u>
Net Change in Fund Balance		(8,926)	(178,942)
Fund Balance - Beginning	1,076	49,396	2,443,110
Fund Balance - Ending	<u>\$ 1,076</u>	<u>\$ 40,470</u>	<u>\$ 2,264,168</u>
Composition of Fund Balance			
Bank Balance	\$ 1,076	\$ 40,499	\$ 2,615,020
Less Outstanding Checks		(29)	(350,852)
Ending Fund Balance	<u>\$ 1,076</u>	<u>\$ 40,470</u>	<u>\$ 2,264,168</u>

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

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WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

Generally 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.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(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 government, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

State Grants Fund - The primary purpose of this fund is to account for various grants received from the state.

Local Government Economic Development Fund - The primary purpose of this fund is to account for the proceeds of specific revenue sources and disbursements that are legally restricted for specific purposes.

Sanitation Fund - The primary purpose of this fund is to account for sanitation receipts and related disbursements. The primary source of receipts for this fund is charges for services.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Animal Shelter Fund - The primary purpose of this fund is to account for funds received to pay for animal shelter expenses. The primary source of receipts for this fund was a donation.

Sewer Replacement Fund - The primary purpose of this fund is to account for sewer replacement receipts and related disbursements. The primary source of receipts for this fund is interest.

Public Properties Bond Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings. The Department for Local Government does not require the fiscal court to report or budget this fund.

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

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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 bond fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Webster County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Webster 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 Webster County Fiscal Court.

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

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 3. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds held for inmates while they are incarcerated. The balance in the jail inmate fund as of June 30, 2015 was \$25,461.

Health Reimbursement Fund - This fund accounts for county contributions to individual health accounts maintained for each employee. The balance of the health reimbursement fund as of June 30, 2015 was \$108,769.

Note 4. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2015 was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance
Roll Off Trucks	\$ 257,770	\$ 622,676	\$ 566,484	\$ 313,962
Backhoes	222,552	224,600	222,552	224,600
Total	<u>\$ 480,322</u>	<u>\$ 847,276</u>	<u>\$ 789,036</u>	<u>\$ 538,562</u>

Note 5. Long-term Debt

A. First Mortgage Refunding Revenue Bonds (Judicial Center Project), Series 2011

On May 5, 2011, the Webster County, Kentucky, Public Properties Corporation (the "Corporation") issued First Mortgage Refunding Revenue Bonds, Series 2011 to refund First Mortgage Revenue Bonds (Judicial Center Project), Series 2002. The total bond issue was \$2,195,000, with interest rates from 4.00% to 4.50%. Interest is payable on February 1 and August 1 of each year. As of June 30, 2015, bonds outstanding were \$1,795,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 140,000	\$ 61,435
2017	140,000	58,285
2018	150,000	54,785
2019	150,000	50,660
2020	155,000	46,310
2021-2025	865,000	23,310
2026	195,000	8,190
Totals	<u>\$ 1,795,000</u>	<u>\$ 302,975</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

B. Webster County Detention Center Expansion

On December 16, 2010, the Webster County Fiscal Court entered into a lease-purchase agreement with Kentucky Association of Counties Leasing Trust (KACoLT) in the amount of \$5,335,000. Monthly principal and interest payments are due beginning January 1, 2011. The final installment is due on January 1, 2037. The effective interest rate is 5.46%. The purpose of the lease-purchase agreement is to close the current jail expansion construction loan and convert it to a fixed rate loan. Principal outstanding as of June 30, 2015 totaled \$4,700,833. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 132,083	\$ 233,200
2017	137,083	227,256
2018	142,083	221,088
2019	149,167	214,694
2020	157,083	207,981
2021-2025	886,667	928,226
2026-2030	1,122,917	698,460
2031-2035	1,436,250	378,841
2036-2037	537,500	39,972
Totals	<u>\$ 4,700,833</u>	<u>\$ 3,149,718</u>

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 1,930,000	\$	\$ 135,000	\$ 1,795,000	\$ 140,000
Financing Obligations	4,827,916		127,083	4,700,833	132,083
Total Long-term Debt	<u>\$ 6,757,916</u>	<u>\$</u>	<u>\$ 262,083</u>	<u>\$ 6,495,833</u>	<u>\$ 272,083</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Commitments and Contingencies

A. Industrial Revenue Bonds

The Webster County Fiscal Court has adopted ordinances approving the issuance of industrial revenue bonds. Such bond issues do not constitute a general debt, liability, or moral obligation of Webster County. Accordingly, these financial statements do not include any assets or liabilities related to the issuance of these bond issues.

B. Solid Waste Interlocal Agreement

Webster County entered into an interlocal agreement with Union and Henderson counties and the cities of Henderson and Corydon establishing a Solid Waste Recycling Facility and Program for these areas. All parties have agreed to fund the operational expense of this organization. The county is responsible for 19.50% of the Solid Waste Recycling Facility and Program operating expenses. Expenses incurred under this agreement for the fiscal year ended June 30, 2015, were \$40,736

C. Interlocal Tri-County New Water and Wastewater Treatment Facility

The county of Webster entered into an interlocal agreement with the counties of Henderson and McLean, the City of Henderson, and the City of Henderson Water and Sewer Commission, to which the local governments agree to supplement the City of Henderson Water and Sewer Commission's debt service on the Water and Wastewater Treatment Facility in southern Henderson County on an equal basis should the excess revenues generated by the facility be less than the amount necessary to fund the debt service required for the related facility. The county had no expenses related to this agreement for fiscal year ended 2015.

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

Webster County in conjunction with Henderson, Union, and McLean counties issued an ordinance which guarantees a portion of the \$450,000, zero-interest rural development loan to Kenergy from the West Kentucky Regional Industrial Development Authority to assist in promoting development of the 4 Star Industrial Park. Webster County authorized a guarantee of \$150,000. Henderson County also guaranteed \$150,000 and Union and McLean counties each guaranteed \$75,000.

E. Regional Economic Development Corporation

The Webster County Fiscal Court has retained an ongoing financial interest in the Regional Economic Development Corporation (REDC). The REDC is a joint venture between the fiscal court and McLean, Union, and Henderson county fiscal courts for the purpose of promoting economic development activities in such counties. Expenses incurred under this agreement for the fiscal year ended June 30, 2015, were \$30,875.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (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. 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 17.67 percent.

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 2013 was \$501,214, FY 2014 was \$562,160 (Restated to remove employee portion), and FY 2015 was \$567,132.

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.

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%

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

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.

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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Webster County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	\$ 4,760,000	\$ 4,207,000
Totals	<u>\$ 4,760,000</u>	<u>\$ 4,207,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

In March 1990, the Webster County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

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

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 9. Health Reimbursement Account

The Webster Fiscal Court established a flexible spending account on May 1, 2012 to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,500 each year to pay for qualified medical expenses. The balance of the plan at June 30, 2015 is \$108,769.

Note 10. Insurance

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

Note 11. 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 Webster 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.

Note 12. Prior Period Adjustments

Restatement of Cash Beginning Balance

Ending Cash Balance Prior Year	\$ 2,443,008
Adjustments:	
Prior Year Voided Check- General Fund	100
Rounding	2
Beginning Fund Balance - Restated	<u>\$ 2,443,110</u>

Restatement of Capital Asset Beginning Balance

Prior Year Beginning Balance	\$ 35,557,728
Less Assets Held For Resale	(480,322)
Beginning Balance - Restated	<u>\$ 35,077,406</u>

Restatement of Assets Held For Resale Beginning Balance

Prior Year Beginning Balance	\$
Add Assets Held For Resale	480,322
Beginning Balance - Restated	<u>\$ 480,322</u>

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WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,306,492	\$ 1,306,492	\$ 1,375,619	\$ 69,127
In Lieu Tax Payments	20,059	20,059	8,682	(11,377)
Excess Fees	17,000	17,000		(17,000)
Licenses and Permits	9,939	9,939	10,709	770
Intergovernmental	1,253,346	1,253,346	1,276,628	23,282
Charges for Services	1,256	1,256	5,360	4,104
Miscellaneous	31,339	31,339	331,776	300,437
Interest	2,967	2,967	3,435	468
Total Receipts	<u>2,642,398</u>	<u>2,642,398</u>	<u>3,012,209</u>	<u>369,811</u>
DISBURSEMENTS				
General Government	1,519,298	1,567,098	1,556,231	10,867
Protection to Persons and Property	548,917	415,467	411,039	4,428
General Health and Sanitation	41,717	44,917	33,800	11,117
Social Services		200	172	28
Administration	933,847	1,016,097	931,450	84,647
Total Disbursements	<u>3,043,779</u>	<u>3,043,779</u>	<u>2,932,692</u>	<u>111,087</u>
Net Change in Fund Balance	(401,381)	(401,381)	79,517	480,898
Fund Balance Beginning (Restated)	<u>401,381</u>	<u>401,381</u>	<u>281,836</u>	<u>(119,545)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 361,353</u>	<u>\$ 361,353</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,297,788	\$ 1,687,788	\$ 1,836,184	\$ 148,396
Miscellaneous	170,878	170,878	470,494	299,616
Interest	4,249	4,249	2,823	(1,426)
Total Receipts	<u>1,472,915</u>	<u>1,862,915</u>	<u>2,309,501</u>	<u>446,586</u>
DISBURSEMENTS				
Roads	1,480,725	1,875,825	1,868,982	6,843
Administration	302,235	297,635	253,399	44,236
Total Disbursements	<u>1,782,960</u>	<u>2,173,460</u>	<u>2,122,381</u>	<u>51,079</u>
Net Change in Fund Balance	(310,045)	(310,545)	187,120	497,665
Fund Balance - Beginning	<u>310,175</u>	<u>310,175</u>	<u>247,095</u>	<u>(63,080)</u>
Fund Balance - Ending	<u>\$ 130</u>	<u>\$ (370)</u>	<u>\$ 434,215</u>	<u>\$ 434,585</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,449,920	\$ 2,449,920	\$ 2,702,729	\$ 252,809
Charges for Services	52,864	52,864	60,255	7,391
Miscellaneous	119,519	119,519	131,492	11,973
Interest	3,975	3,975	2,415	(1,560)
Total Receipts	<u>2,626,278</u>	<u>2,626,278</u>	<u>2,896,891</u>	<u>270,613</u>
DISBURSEMENTS				
Protection to Persons and Property	2,305,861	2,302,761	2,188,662	114,099
Debt Service	366,003	366,003	366,002	1
Administration	679,828	682,928	545,013	137,915
Total Disbursements	<u>3,351,692</u>	<u>3,351,692</u>	<u>3,099,677</u>	<u>252,015</u>
Net Change in Fund Balance	(725,414)	(725,414)	(202,786)	522,628
Fund Balance Beginning	<u>725,414</u>	<u>725,414</u>	<u>518,514</u>	<u>(206,900)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 315,728</u>	<u>\$ 315,728</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,110	\$ 1,110	\$ 1,060	\$ (50)
Intergovernmental	1,434,394	1,434,394	1,628,574	194,180
Charges for Services	384	384	279	(105)
Miscellaneous	244,837	244,837	345,300	100,463
Interest	503	503	2,264	1,761
Total Receipts	<u>1,681,228</u>	<u>1,681,228</u>	<u>1,977,477</u>	<u>296,249</u>
DISBURSEMENTS				
General Government	242,299	218,299	213,415	4,884
Protection to Persons and Property	79,181	81,281	74,946	6,335
General Health and Sanitation	1,249,492	1,597,192	1,478,024	119,168
Social Services	149,754	153,354	132,699	20,655
Recreation and Culture	38,770	38,770	34,424	4,346
Roads	311,215	312,415	176,703	135,712
Airport	3,400	3,400	2,421	979
Administration	146,588	165,488	136,588	28,900
Total Disbursements	<u>2,220,699</u>	<u>2,570,199</u>	<u>2,249,220</u>	<u>320,979</u>
Net Change in Fund Balance	(539,471)	(888,971)	(271,743)	617,228
Fund Balance - Beginning	<u>539,471</u>	<u>539,471</u>	<u>1,223,037</u>	<u>683,566</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (349,500)</u>	<u>\$ 951,294</u>	<u>\$ 1,300,794</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,524,169	\$ 1,524,169	\$ 433,460	\$ (1,090,709)
Interest			66	66
Total Receipts	<u>1,524,169</u>	<u>1,524,169</u>	<u>433,526</u>	<u>(1,090,643)</u>
DISBURSEMENTS				
General Government		75,700	75,556	144
Protection to Persons and Property	16,495	23,395	13,386	10,009
General Health and Sanitation	367,703	350,103	114,753	235,350
Recreation and Culture	178,915	113,915	656	113,259
Roads	961,056	961,056	249,980	711,076
Total Disbursements	<u>1,524,169</u>	<u>1,524,169</u>	<u>454,331</u>	<u>1,069,838</u>
Net Change in Fund Balance			(20,805)	(20,805)
Fund Balance Beginning			<u>29,372</u>	<u>29,372</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,567</u>	<u>\$ 8,567</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$	\$ (1,000,000)
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>		<u>(1,000,000)</u>
DISBURSEMENTS				
General Government	1,000,000	650,000		650,000
Total Disbursements	<u>1,000,000</u>	<u>650,000</u>		<u>650,000</u>
Net Change in Fund Balance		350,000		(350,000)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ (350,000)</u>

WEBSTER COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	SANITATION FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and Permits	\$ 207,634	\$ 207,634	\$ 188,992	\$ (18,642)
Interest	323	323	258	(65)
Total Receipts	<u>207,957</u>	<u>207,957</u>	<u>189,250</u>	<u>(18,707)</u>
DISBURSEMENTS				
General Health and Sanitation	207,340	209,340	191,753	17,587
Administration	41,117	39,117	14,099	25,018
Total Disbursements	<u>248,457</u>	<u>248,457</u>	<u>205,852</u>	<u>42,605</u>
Net Change in Fund Balance	(40,500)	(40,500)	(16,602)	23,898
Fund Balance Beginning	<u>40,500</u>	<u>40,500</u>	<u>55,304</u>	<u>14,804</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,702</u>	<u>\$ 38,702</u>

WEBSTER COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

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

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 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.

WEBSTER COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

WEBSTER COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 277,912	\$	\$	\$ 277,912
Land Improvements	231,475	13,848		245,323
Construction In Progress	227,681	107,379	276,134	58,926
Buildings and Building Improvements	13,090,004	382,968	27,500	13,445,472
Vehicles (Restated)	2,455,450	59,051	57,008	2,457,493
Machinery and Equipment (Restated)	2,916,504	377,731		3,294,235
Infrastructure	15,878,380	651,992		16,530,372
Total Capital Assets	\$ 35,077,406	\$ 1,592,969	\$ 360,642	\$ 36,309,733

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

June 30, 2015

Note 1. Capital Assets

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

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

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Henry, Webster County Judge/Executive
The Honorable James R. Townsend, Former Webster County Judge/Executive
Members of the Webster 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 Webster County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Webster County Fiscal Court's financial statement and have issued our report thereon dated November 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Webster 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 Webster County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Webster County Fiscal Court's internal control.

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

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 comments and recommendations as item 2015-001 and 2015-002 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Webster County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as 2015-001, 2015-002, and 2015-003.

County Judge/Executive and Jailer's Responses to Findings

The Webster County Judge/Executive and the Webster County Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The county judge/executive and jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

November 21, 2016

**WEBSTER COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2015

WEBSTER COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2015

FINANCIAL STATEMENT FINDINGS:

2015-001 The Fiscal Court Lacks Adequate Internal Controls Over The Capital Asset Schedule

There is a lack of adequate internal controls over the preparation of the capital asset schedule. Assets held for resale were incorrectly included on the capital asset listing.

The treasurer updates the capital asset schedule from invoices; however, no one reviews the schedule for accuracy.

Capital assets were overstated in the prior year by \$480,322 because assets held for resale were included. Current year capital asset additions and ending balance were overstated by \$224,600 because of assets held for resale additions being included as capital asset additions.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Per the *Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual*, capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property placement. Additionally good internal controls are necessary to ensure the protection of assets.

We recommend that the fiscal court ensure that the capital asset schedule is accurate and implement internal controls to monitor the accuracy of the schedule.

Current County Judge Executive Steve Henry's Response: Steps will be taken to implement compliance.

2015-002 The Fiscal Court Lacks Adequate Internal Controls Over Payroll

There is a lack of internal controls over payroll, including a lack of monitoring of payroll records.

Due to the lack of oversight and monitoring of payroll records, the following issues were noted:

- There was no record maintained for jail employees' use of leave time, vacation or sick time or employee leave balances.
- A road supervisor check was not endorsed.
- The sanitation manager does not keep a timecard.
- The road supervisor timecard is not approved by the county judge/executive.
- Incorrect time records are being maintained. For example, the clerk's office employees record 40 hours; however, due to lunches they only work 35 hours.
- Part-time employees' pay rates are not listed or approved on the fiscal court pay rate approval list.

KRS 337.320 requires "(1) Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." Additionally, KRS 64.530 states "(1) Except as provided in subsections (5) and (6) of this section, the fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer. The fiscal court may provide a salary for the county attorney." Also, strong internal controls are essential in ensuring that payroll is properly processed and that employees are properly paid.

**WEBSTER COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2015
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2015-002 The Fiscal Court Lacks Adequate Internal Controls Over Payroll (Continued)

We recommend that the fiscal court strengthen internal controls over payroll by monitoring time records, pay rates, and hours worked by employees. Controls, such as supervisor review of all time cards, time records submitted prior to payroll payment, and addition of part-time position pay rates to the salary schedule will help ensure compliance payroll requirements.

Current County Judge Executive Steve Henry's Response:

**Employees' use of time will be tracked through the payroll system along with Supervisor's manual records.*

**Payroll is now direct deposited into employee designated bank account.*

**Sanitation Manager now provides a time sheet for each pay period.*

**All time sheets reviewed by Department Head or Supervisor and approved by signature on time sheet.*

**Auditors have discussed proper reporting procedure with Webster County Clerk.*

**All employees listed by name, department, and pay rate for approval at Fiscal Court meetings.*

2015-003 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260 And Failed To Properly Surplus Assets

The fiscal court failed to advertise for bids on four roll off trucks and one garbage truck. Vehicles traded in on the roll off trucks were not properly handled as surplus assets.

The fiscal court buys and sells two roll trucks each year from a truck dealership. The fiscal court originally received the two roll trucks every year through the Kentucky Association Of Counties Leasing Program (KACoLT). The fiscal court decided to purchase and resell the roll trucks each year, instead of leasing. The fiscal court also failed to bid for a garbage trucked purchased for the City of Providence. Additionally, the jail purchased a truck from commissary funds for inmate use using an executive order rather than properly bidding out the vehicle.

By failing to bid all assets purchased and surplus the roll trucks, the county has failed to comply with state laws and regulations.

KRS 424.260 states "Except 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 for 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." Furthermore, KRS 67.0802(2) states, "Before selling or otherwise disposing of any real or personal property, the county shall make a written determination setting forth and fully describing: (a) The real or personal property; (b) Its intended use at the time of acquisition; (c) The reasons why it is in the public interest to dispose of it; and (d) The method of disposition to be used."

We recommend all purchases where a single vendor is paid greater than \$20,000 be bid in accordance with KRS 424.260 and that documentation of the bid process be maintained. We also recommend that the fiscal court properly declare property as surplus prior to disposition in accordance with KRS 67.0802(2).

Current County Judge Executive Steve Henry's Response: Webster County will bid in accordance with KRS 424.260 for purchases above \$20,000.00. Webster County will comply with KRS 67.0802 before disposition of surplus property.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

WEBSTER COUNTY FISCAL COURT

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

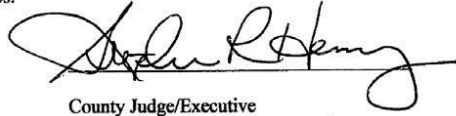
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

WEBSTER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer

