

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

**For The Year Ended
June 30, 2021**

**Roy W Hunter, CPA, PLLC
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To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Henderson County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Henderson County Fiscal Court as of June 30, 2021, 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 and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Henderson County Fiscal Court. The Budgetary Comparison Schedules (Supplementary information), Schedule of Capital Assets (Other Information), and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Brad Schneider, Henderson County Judge/Executive
Members of the Henderson County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information (Continued)

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021, on our consideration of the Henderson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henderson County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

December 2, 2021

HENDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2021

Fiscal Court Members:

Brad Schneider	County Judge/Executive
Keith Berry	Magistrate District 1
Beth Moran	Magistrate District 2
Tim Southard	Magistrate District 3
Billy "Butch" Puttman	Magistrate District 4
Charles McCollom	Magistrate District 5

Other Elected Officials:

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

Appointed Personnel:

Brenda Duncan-Rider	County Treasurer
William Hubiak	County Engineer

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 10,861,175	\$	\$
In Lieu Tax Payments	380,068		
Excess Fees	96,627		
Licenses and Permits	127,442		
Intergovernmental	5,979,266	2,442,655	5,503,214
Charges for Services		50,781	109,047
Miscellaneous	304,911	78,075	721,072
Interest	89,475	3,911	27,958
Total Receipts	<u>17,838,964</u>	<u>2,575,422</u>	<u>6,361,291</u>
DISBURSEMENTS			
General Government	6,934,058		
Protection to Persons and Property	347,728		5,253,633
General Health and Sanitation		243,659	
Social Services			
Recreation and Culture	7,619	423,579	
Roads		3,531,380	
Debt Service	2,960,146		1,762,767
Capital Projects	332,008		
Administration	918,061	732,876	1,446,468
Total Disbursements	<u>11,499,620</u>	<u>4,931,494</u>	<u>8,462,868</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,339,344</u>	<u>(2,356,072)</u>	<u>(2,101,577)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	23,040	2,525,000	1,010,178
Transfers To Other Funds	(4,000,528)		
Total Other Adjustments to Cash (Uses)	<u>(3,977,488)</u>	<u>2,525,000</u>	<u>1,010,178</u>
Net Change in Fund Balance	2,361,856	168,928	(1,091,399)
Fund Balance - Beginning (Restated)	17,372,505	153,102	7,667,112
Fund Balance - Ending	<u>\$ 19,734,361</u>	<u>\$ 322,030</u>	<u>\$ 6,575,713</u>
Composition of Fund Balance			
Bank Balance	\$ 18,593,620	\$ 325,701	\$ 6,275,943
Less: Outstanding Checks	(137,660)	(3,671)	(230)
Certificates of Deposit	1,278,401		300,000
Fund Balance - Ending	<u>\$ 19,734,361</u>	<u>\$ 322,030</u>	<u>\$ 6,575,713</u>

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

HENDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Economic Development Fund	America Rescue Plan Act Fund
\$	\$	\$	\$	\$
142,792				
135,948	380,583	15,360		4,390,757
1,067	4,143			
70			92	421
<u>279,877</u>	<u>384,726</u>	<u>15,360</u>	<u>92</u>	<u>4,391,178</u>
	25,390		80,000	
181,622				
388,244	160,535			
160,970	199,000			
4,100				
<u>734,936</u>	<u>384,925</u>	<u> </u>	<u>80,000</u>	<u> </u>
(455,059)	(199)	15,360	(79,908)	4,391,178
385,450			79,900	
<u>385,450</u>	<u> </u>	<u>(23,040)</u>	<u>79,900</u>	<u> </u>
(69,609)	(199)	(7,680)	(8)	4,391,178
138,290	190,805	7,680	9,061	
<u>\$ 68,681</u>	<u>\$ 190,606</u>	<u>\$ 0</u>	<u>\$ 9,053</u>	<u>\$ 4,391,178</u>
\$ 68,681	\$ 215,996 (25,390)	\$	\$ 29,053 (20,000)	\$ 4,391,178
<u>\$ 68,681</u>	<u>\$ 190,606</u>	<u>\$ 0</u>	<u>\$ 9,053</u>	<u>\$ 4,391,178</u>

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

HENDERSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

	<u>Unbudgeted Fund</u>			<u>Internal</u> <u>Service Fund</u>
	<u>Public</u> <u>Properties</u> <u>Corporation</u> <u>Fund</u>	<u>Jail</u> <u>Commissary</u> <u>Fund</u>	<u>Total</u> <u>Funds</u>	<u>Health</u> <u>Insurance</u> <u>Fund</u>
RECEIPTS				
Taxes	\$	\$	\$ 10,861,175	\$
In Lieu Tax Payments			380,068	
Excess Fees			96,627	
Licenses and Permits			270,234	
Intergovernmental	724,031		19,571,814	
Charges for Services			159,828	
Miscellaneous		1,273,681	2,382,949	1,789,445
Interest		3,581	125,508	9,816
Total Receipts	<u>724,031</u>	<u>1,277,262</u>	<u>33,848,203</u>	<u>1,799,261</u>
DISBURSEMENTS				
General Government			7,039,448	
Protection to Persons and Property			5,782,983	
General Health and Sanitation			792,438	
Social Services			359,970	
Recreation and Culture		1,060,597	1,495,895	
Roads			3,531,380	
Debt Service	724,031		5,446,944	
Capital Projects			332,008	
Administration			3,097,405	1,747,372
Total Disbursements	<u>724,031</u>	<u>1,060,597</u>	<u>27,878,471</u>	<u>1,747,372</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>216,665</u>	<u>5,969,732</u>	<u>51,889</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			4,023,568	
Transfers To Other Funds			(4,023,568)	
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		216,665	5,969,732	51,889
Fund Balance - Beginning (Restated)		923,392	26,461,947	1,921,208
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,140,057</u>	<u>\$ 32,431,679</u>	<u>\$ 1,973,097</u>
Composition of Fund Balance				
Bank Balance	\$	\$ 1,151,371	\$ 31,051,543	\$ 1,973,097
Less: Outstanding Checks		(11,314)	(198,265)	
Certificates of Deposit			1,578,401	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,140,057</u>	<u>\$ 32,431,679</u>	<u>\$ 1,973,097</u>

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

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TO THE FINANCIAL STATEMENT**

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**HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

**HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

America Rescue Act Plan Fund - The primary purpose of this fund is to account for activity related to American Rescue Act passed in 2021. The primary source of receipts for this fund is federal grant monies.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

Internal Service Fund

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

D. Budgetary Information

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

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

The state local finance officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Henderson County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

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

- Henderson County Tourist Commission
- Four Star Industrial Development

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

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

I. Direct Borrowings and Direct Placements

GASB Statement No. 88 – Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements - This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

The fiscal court had \$1,278,401 in traditional certificate of deposits (CDs) in which the market and cost basis are the same. The fiscal court also had \$300,000 of structured CDs. Structured CDs are a form of complex financial instruments called derivatives. These types of CDs derive their value from the value of other investments. For structured CDs, the performance of their derivative portion is often based on the value of a group or index of stocks. The value of the derivative can be engineered to rise or fall when that index rises or falls, allowing investors to base their CD return on the performance of a particular security or index of securities. Structured CDs do not earn interest, instead their values at maturity is based on the difference between the stock index at a predefined starting and ending points. The amount paid at maturity will not be less than the amount of the original cost basis; however, the CDs must be held to maturity to at least get the cost basis back. The cost basis (as reported on the financial statement) of the structured CDs and the market value was \$300,000 and \$326,795, respectively.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 23,040	\$ 23,040
Road Fund	2,525,000		2,525,000
Jail Fund	1,010,178		1,010,178
LGEA Fund	385,450		385,450
Economic Development Fund	79,900		79,900
 Total Transfers Out	 <u>\$ 4,000,528</u>	 <u>\$ 23,040</u>	 <u>\$ 4,023,568</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. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021, was \$202,319.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Receivables

A. Airport

The Henderson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007, for the purpose of funding an airport expansion (See Note 6F) project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. The balance of the receivable at June 30, 2021, was \$138,694.

B. Reed Fire Department

During fiscal year 2013, the Henderson County Fiscal Court loaned \$50,000 to the Reed Volunteer Fire Department. This loan was to be paid back with an annual payment of \$5,000 with no interest added. The fiscal court reduces the amount contributed to the Reed Volunteer Fire Department by \$5,000 each year. The balance of the receivable at June 30, 2021, was \$19,983.

Note 6. Long-term Debt

A. Other Debt

1. General Obligation Bonds, Series 2015 - 911 Emergency System

The County of Henderson, Kentucky issued \$3,545,000 General Obligation Bonds, Series 2015 dated November 2015, for the purpose of funding a new 911 emergency system. Principal payments are due each year on December 1, in amounts indicated below starting December 1, 2016. Interest on the bonds will be payable semi-annually on June 1 and December 1, beginning June 1, 2016. The bonds were defeased on March 25, 2021. A deposit was made into an escrow account in the amount of \$2,700,419 which represented the principal amount of \$2,490,000 and interest of \$210,419. The bonds will be redeemed on December 1, 2030.

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

The County of Henderson, Kentucky Court issued \$2,215,000 General Obligation Public Project Bonds, Series 2017 dated February 7, 2017, for the purpose of financing the costs of acquisition, construction, installation and equipping of improvements to the Henderson County Detention Facility. Principal payments are due each year on March 1, in amounts indicated below starting March 1, 2019. Interest on the bonds will be payable semi-annually on March 1 and September 1, beginning September 1, 2017. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The bonds were defeased on June 14, 2021. A deposit was made into an escrow account in the amount of \$1,499,992 which represented the principal amount of \$1,385,000 and interest of \$114,992. The bonds will be redeemed on March 1, 2027.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Direct Borrowing and Direct Payments

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

The Henderson County Public Properties Corporation issued \$5,495,881 Lease Revenue Refunding Bonds, Series 2017 dated February 9, 2017, for the purpose of refunding and retiring the Courts Facility - Series 2006 Bonds. Principal payments are due each year on February 1, in amounts indicated below starting February 1, 2018. Interest on the bonds will be payable semi-annually on February 1 and August 1, beginning August 1, 2017. The bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The principal balance outstanding for the bond issue as of June 30, 2021, was \$3,408,162. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 653,475	\$ 73,275
2023	664,274	59,226
2024	684,531	44,944
2025	694,061	30,227
2026	711,821	15,304
Totals	<u>\$ 3,408,162</u>	<u>\$ 222,976</u>

2. Airport Lease

The County of Henderson, Kentucky entered into a lease agreement with the Kentucky Association of Counties Leasing Trust on April 19, 2007, for the purpose of funding an airport expansion project along with the City of Henderson, the principal amount of the loan was given directly to the airport. The lease amount was \$325,000. Principal and interest payments are due monthly. Interest is charged at a rate of 4.338 percent. The lease will be paid in full on May 20, 2027. The lease contains a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The principal balance as of June 30, 2021, was \$138,694. Annual debt service requirements to maturity are as follows:

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

B. Direct Borrowing and Direct Payments (Continued)

2. Airport Lease (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 20,061	\$ 5,756
2023	21,327	4,884
2024	22,672	3,964
2025	24,103	2,979
2026	25,624	1,934
2027	24,907	799
Totals	<u>\$ 138,694</u>	<u>\$ 20,316</u>

3. Gradall Lease

The County of Henderson, Kentucky entered into a lease agreement with Field & Main Bank October 8, 2019, for the purpose of purchasing a 2019 Volvo Gradall. The principal amount of the loan was given directly to the vendor. The 2019 Volvo Gradall is collateral for the lease. The lease contains a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The lease amount was \$359,599. Principal and interest payments are due monthly. Interest is charged at a rate of 3.40 percent. The principal balance as of June 30, 2021 was \$154,358. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 122,954	\$ 3,394
2023	31,404	183
Totals	<u>\$ 154,358</u>	<u>\$ 3,577</u>

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Long-term Debt (Continued)

C. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 0	\$ 0	\$ 796,490	\$ 82,425
2023			685,601	64,110
2024			738,607	49,091
2025			718,164	33,206
2026			737,445	17,238
2027-2031			24,907	799
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,701,214</u>	<u>\$ 246,869</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other Debt	\$ 4,310,000		\$4,310,000	\$ -	\$ -
Direct Borrowings and Direct Placements	4,475,938		774,724	3,701,214	796,490
Total Long-term Debt	<u>\$ 8,785,938</u>	<u>\$ 0</u>	<u>\$ 5,084,724</u>	<u>\$ 3,701,214</u>	<u>\$ 796,490</u>

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Commitments and Contingencies

A. Litigations

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

B. Pandemic

In March 2020, the World Health Organization declared the novel global coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Center for Disease Control and Prevention confirmed the spread of the disease throughout the United States. Prior to June 30, 2021, and as of the date the financial statements were available to be issued, the Fiscal Court's operations have been significantly impacted by the COVID-19 outbreak. It is not possible to quantify the ultimate impact of the COVID-19 crisis at this time.

C. Industrial Revenue Bonds

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

D. Ambulance Service Agreement

In April 1983, the County of Henderson along with the City of Henderson entered into an agreement with Community Methodist Hospital for the operation of a countywide ambulance service. The hospital agreed to operate the ambulance service with both the City and County reimbursing the hospital for any operating loss incurred on a quarterly basis. Expenses incurred under this agreement for fiscal year ended June 30, 2021, were \$51,235.

E. Henderson City-County Planning Commission

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Henderson City-County Planning Commission (planning commission). The planning commission is a joint venture between fiscal court and City of Henderson to assist and promote the orderly development of the county and cities. The fiscal court and City of Henderson are each responsible for 50 percent of the basic administration included in the budget of the planning commission. Expenses incurred under this agreement for fiscal year ended June 30, 2021, were \$363,500.

F. Henderson City-County Airport Board

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Henderson City-County Airport Board. The Airport Board is a joint venture between the fiscal court and the City of Henderson to assist and promote the Henderson City-County Airport. Expenses incurred under this agreement for fiscal year ended June 30, 2021, was \$179,260.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Commitments and Contingencies (Continued)

G. KYNDLE (Formerly Northwest KY Forward)

The Henderson County Fiscal Court (fiscal court) has retained an ongoing financial responsibility for the Kentucky Network for Development, Leadership and Engagement (KYNDLE), which is a joint venture between the fiscal court and City of Henderson to assist and promote Henderson County. Expenses incurred under this agreement for fiscal year ended June 30, 2021, was \$50,000.

E. Community United Methodist Hospital – Conduit Debt

The County issued \$7,200,000 in revenue bonds in fiscal year 2013 to enable a non-profit corporation to finance the acquisition of medical equipment. The bonds do not constitute an indebtedness or pledge of faith and credit of the County; therefore, no obligation is recorded on the County's long-term debt note in Note 6.

Note 8. Employee Retirement System

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

The county's contribution for FY 2018 was \$1,256,770, FY 2019 was \$1,492,137, FY 2020 was \$1,575,553, and FY 2021 was \$1,538,755.

Nonhazardous

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

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

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

The county's contribution rate for nonhazardous employees was 24.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

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

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

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

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KPPA Annual Financial Report and Proportionate Share Audit Report

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

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

Note 9. Deferred Compensation

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

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 9. Deferred Compensation (Continued)

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

Note 10. Self-Insurance - Health

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

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed and administrative costs for fiscal year ending June 30, 2021, were \$344,532. The second component is the claims cost, all of which Henderson County is responsible to pay as they incur. Once an individual exceeds \$100,000 in claims or the county's aggregate claims exceed the predetermined maximum, then the county will receive reimbursements from the reinsurance carrier. These amounts are netted on the bill the county receives. Incurred claims for fiscal year ended June 30, 2021, were \$1,402,840. The Henderson County Fiscal Court's contract with Anthem Blue Cross Blue Shield has no terminal liability provisions. The fiscal court will be responsible to pay all run-out claims after termination. The health insurance fund had a balance of \$1,973,097 as of June 30, 2021.

Note 11. Health Reimbursement Account

The Henderson County Fiscal Court established a Health Reimbursement Account in January 2017, to provide employees an additional health benefit. The county has contracted with Wage Works, a third-party administrator, to administer the plan. As of January 1, 2021, McGregor became the third-party administrator. The plan provides a debit card to each eligible employee providing \$750 (single health insurance plan) or \$1,500 (family health insurance plan) each year to pay for qualified medical expenses. The balance of the Health Reimbursement Account as of June 30, 2021, that was held with McGregor was \$97,055. The fiscal court also has a Health Reimbursement Account at a local bank that had a balance of \$116,186, as of June 30, 2021. The account is used to pay out contributions and other costs related to the Health Reimbursement Account to McGregor.

Note 12. Insurance

For the fiscal year ended June 30, 2021, the Henderson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 13. Related Party Transactions

The Henderson County Fiscal Court under the Henderson County Rural Communities Revolving Loan Fund loaned a magistrate that took office in January 1, 2019 \$10,000 in December 27, 2012. The magistrate is paying the loan (interest free) back in monthly payments of \$83. The loan will be paid off in February 1, 2023. The balance of the interest loan was \$1,584 as of June 30, 2021.

An employee of the fiscal court owns a computer service company that received \$6,240 in fiscal year 2021 for IT services.

The Henderson County Fiscal Court purchased through a sealed bid, a steel deck bridge from a company that employs the finance officer's husband. During the fiscal year, the fiscal court paid \$94,468 to this bridge company.

Note 14. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Henderson County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. Tax Abatements

Columbia Sportswear: The Ad Valorem tax was abated under authority of section 103.285 of the Kentucky Revised Statutes. For Fiscal year ended June 30, 2021. The amount of the taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expires in 2025. The entity pays property taxes based on the original property assessment when the agreement was signed of \$16,000,000. No other county tax was abated.

International Paper: The Ad Valorem tax was abated under authority of section 103.285 of the Kentucky Revised Statutes. For Fiscal year ended June 30, 2021. The amount of the taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expires. Fiscal year 2021 will be the last year the agreement is in effect. The entity pays property taxes based on the original property assessment when the agreement was signed of \$17,567,000. No other county tax was abated.

Sitex Corporation: The Ad Valorem tax was abated under authority of section 103.285 of the Kentucky Revised Statutes. For Fiscal year ended June 30, 2021. The amount of the taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expires in 2025. The entity pays property taxes based on the original property assessment when the agreement was signed of 2,111,000. No other county tax was abated.

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 15. Tax Abatements (Continued)

Tyson Foods: The Ad Valorem tax was abated under authority of section 103.285 of the Kentucky Revised Statutes. For Fiscal year ended June 30, 2021. The amount of the taxes abated is not known since the actual property assessment will not be performed until the pilot agreement expire. Fiscal year 2021 will be the last year the agreement is in effect. Under the original agreement, the entity pays a flat amount of \$80,000 for property taxes to all the taxes districts, (School, Library, Health, Extension Service, and County). During, fiscal year 2021, the fiscal court received \$10,173 in property taxes from the entity. No other county tax was abated.

Note 16. Prior Period Adjustments

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
Ending Cash Balance Prior Year	\$ 17,372,425	\$ 152,434	\$ 7,666,905
Adjustments:			
Prior Year Voided Checks	<u>80</u>	<u>668</u>	<u>207</u>
Beginning Fund Balance Restated	<u>\$ 17,372,505</u>	<u>\$ 153,102</u>	<u>\$ 7,667,112</u>

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

For The Year Ended June 30, 2021

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HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 9,335,000	\$ 9,335,000	\$ 10,861,175	\$ 1,526,175
In Lieu Tax Payments	374,000	374,000	380,068	6,068
Excess Fees	157,883	157,883	96,627	(61,256)
Licenses and Permits	85,000	85,000	127,442	42,442
Intergovernmental	2,941,410	2,941,410	5,979,266	3,037,856
Miscellaneous	219,000	1,794,889	304,911	(1,489,978)
Interest	30,000	30,000	89,475	59,475
Total Receipts	<u>13,142,293</u>	<u>14,718,182</u>	<u>17,838,964</u>	<u>3,120,782</u>
DISBURSEMENTS				
General Government	7,427,439	7,759,935	6,934,058	825,877
Protection to Persons and Property	442,092	442,092	347,728	94,364
Recreation and Culture	7,000	8,576	7,619	957
Debt Service	284,200	3,067,475	2,960,146	107,329
Capital Projects	1,667,912	334,637	332,008	2,629
Administration	1,777,722	2,227,071	918,061	1,309,010
Total Disbursements	<u>11,606,365</u>	<u>13,839,786</u>	<u>11,499,620</u>	<u>2,340,166</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,535,928</u>	<u>878,396</u>	<u>6,339,344</u>	<u>5,460,948</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			23,040	23,040
Transfers To Other Funds	<u>(3,203,840)</u>	<u>(3,203,840)</u>	<u>(4,000,528)</u>	<u>(796,688)</u>
Total Other Adjustments to Cash (Uses)	<u>(3,203,840)</u>	<u>(3,203,840)</u>	<u>(3,977,488)</u>	<u>(773,648)</u>
Net Change in Fund Balance	(1,667,912)	(2,325,444)	2,361,856	4,687,300
Fund Balance - Beginning (Restated)	<u>1,667,912</u>	<u>3,117,912</u>	<u>17,372,505</u>	<u>14,254,593</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 792,468</u>	<u>\$ 19,734,361</u>	<u>\$ 18,941,893</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,280,793	\$ 2,368,493	\$ 2,442,655	\$ 74,162
Charges for Services	15,000	15,000	50,781	35,781
Miscellaneous	41,000	41,000	78,075	37,075
Interest	2,000	2,000	3,911	1,911
Total Receipts	<u>2,338,793</u>	<u>2,426,493</u>	<u>2,575,422</u>	<u>148,929</u>
DISBURSEMENTS				
General Health and Sanitation	236,785	273,448	243,659	29,789
Recreation and Culture	435,802	462,302	423,579	38,723
Roads	3,582,080	3,791,117	3,531,380	259,737
Administration	842,616	842,616	732,876	109,740
Total Disbursements	<u>5,097,283</u>	<u>5,369,483</u>	<u>4,931,494</u>	<u>437,989</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,758,490)</u>	<u>(2,942,990)</u>	<u>(2,356,072)</u>	<u>586,918</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,758,490</u>	<u>2,758,490</u>	<u>2,525,000</u>	<u>(233,490)</u>
Total Other Adjustments to Cash (Uses)	<u>2,758,490</u>	<u>2,758,490</u>	<u>2,525,000</u>	<u>(233,490)</u>
Net Change in Fund Balance		(184,500)	168,928	353,428
Fund Balance - Beginning (Restated)			<u>153,102</u>	<u>153,102</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (184,500)</u>	<u>\$ 322,030</u>	<u>\$ 506,530</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 7,714,795	\$ 7,714,795	\$ 5,503,214	\$ (2,211,581)
Charges for Services	86,000	86,000	109,047	23,047
Miscellaneous	559,117	559,117	721,072	161,955
Interest	60,000	60,000	27,958	(32,042)
Total Receipts	<u>8,419,912</u>	<u>8,419,912</u>	<u>6,361,291</u>	<u>(2,058,621)</u>
DISBURSEMENTS				
Protection to Persons and Property	6,626,876	7,245,376	5,253,633	1,991,743
Debt Service	256,450	1,766,450	1,762,767	3,683
Administration	2,146,348	2,538,026	1,446,468	1,091,558
Total Disbursements	<u>9,029,674</u>	<u>11,549,852</u>	<u>8,462,868</u>	<u>3,086,984</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(609,762)</u>	<u>(3,129,940)</u>	<u>(2,101,577)</u>	<u>1,028,363</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,010,178	1,010,178
Total Other Adjustments to Cash (Uses)			<u>1,010,178</u>	<u>1,010,178</u>
Net Change in Fund Balance	(609,762)	(3,129,940)	(1,091,399)	2,038,541
Fund Balance - Beginning (Restated)	<u>609,762</u>	<u>2,119,762</u>	<u>7,667,112</u>	<u>5,547,350</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,010,178)</u>	<u>\$ 6,575,713</u>	<u>\$ 7,585,891</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 100,000	\$ 100,000	\$ 142,792	\$ 42,792
Intergovernmental	388,000	388,000	135,948	(252,052)
Miscellaneous	1,000	1,000	1,067	67
Interest	100	100	70	(30)
Total Receipts	<u>489,100</u>	<u>489,100</u>	<u>279,877</u>	<u>(209,223)</u>
DISBURSEMENTS				
Protection to Persons and Property	295,000	299,000	181,622	117,378
General Health and Sanitation	416,100	556,100	388,244	167,856
Social Services	132,850	163,850	160,970	2,880
Recreation and Culture	4,600	4,600	4,100	500
Bus Services	25,000	25,000		25,000
Administration	1,000	1,000		1,000
Total Disbursements	<u>874,550</u>	<u>1,049,550</u>	<u>734,936</u>	<u>314,614</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(385,450)</u>	<u>(560,450)</u>	<u>(455,059)</u>	<u>105,391</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>385,450</u>	<u>385,450</u>	<u>385,450</u>	
Total Other Adjustments to Cash (Uses)	<u>385,450</u>	<u>385,450</u>	<u>385,450</u>	
Net Change in Fund Balance		(175,000)	(69,609)	105,391
Fund Balance - Beginning			<u>138,290</u>	<u>138,290</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (175,000)</u>	<u>\$ 68,681</u>	<u>\$ 243,681</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 603,884	\$ 603,884	\$ 380,583	\$ (223,301)
Miscellaneous			4,143	4,143
Total Receipts	<u>603,884</u>	<u>603,884</u>	<u>384,726</u>	<u>(219,158)</u>
DISBURSEMENTS				
General Government	175,000	172,500	25,390	147,110
General Health and Sanitation	306,157	308,657	160,535	148,122
Social Services	210,000	210,000	199,000	11,000
Total Disbursements	<u>691,157</u>	<u>691,157</u>	<u>384,925</u>	<u>306,232</u>
Net Change in Fund Balance	(87,273)	(87,273)	(199)	87,074
Fund Balance - Beginning	<u>87,273</u>	<u>87,273</u>	<u>190,805</u>	<u>103,532</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 190,606</u>	<u>\$ 190,606</u>

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	FEDERAL GRANTS FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$ 601,070	\$ 15,360	\$ (585,710)
Total Receipts		601,070	15,360	(585,710)
DISBURSEMENTS				
General Government		11,540		11,540
Total Disbursements		11,540		11,540
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		589,530	15,360	(574,170)
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(23,040)	(23,040)
Total Other Adjustments to Cash (Uses)			(23,040)	(23,040)
Net Change in Fund Balance		589,530	(7,680)	(597,210)
Fund Balance - Beginning		7,680	7,680	
Fund Balance - Ending	\$ 0	\$ 597,210	\$ 0	\$ (597,210)

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 100	\$ 100	\$ 92	\$ (8)
Total Receipts	100	100	92	(8)
DISBURSEMENTS				
General Government	60,000	80,000	80,000	
Total Disbursements	60,000	80,000	80,000	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(59,900)	(79,900)	(79,908)	(8)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	59,900	59,900	79,900	20,000
Total Other Adjustments to Cash (Uses)	59,900	59,900	79,900	20,000
Net Change in Fund Balance		(20,000)	(8)	19,992
Fund Balance - Beginning			9,061	9,061
Fund Balance - Ending	\$ 0	\$ (20,000)	\$ 9,053	\$ 29,053

HENDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

	AMERICA RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 4,390,757	\$ 4,390,757
Interest			421	421
Total Receipts			4,391,178	4,391,178
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			4,391,178	4,391,178
Net Change in Fund Balance			4,391,178	4,391,178
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,391,178	\$ 4,391,178

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

June 30, 2021

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.

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

For The Year Ended June 30, 2021

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HENDERSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Transfer	Deletions	Ending Balance
Land and Land Improvements	\$ 1,003,581	\$	\$	\$	\$ 1,003,581
Construction In Progress	531,769		(531,769)		
Buildings and Buildings Improvemer	24,725,626	216,326			24,941,952
Vehicles and Equipment	8,909,111	981,143		45,236	9,845,018
Equipment - Jail Commissary	324,471	194,492			518,963
Infrastructure	13,562,436	1,428,999	\$ 531,769		15,523,204
 Total Capital Assets	 \$ 49,056,994	 \$ 2,820,960	 \$ 0	 \$ 45,236	 \$51,832,718

**HENDERSON COUNTY
NOTES TO OTHER INFORMATION – REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS**

June 30, 2021

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.

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

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Commerce</u>				
<i>Direct Program:</i>				
Economic Adjustment Assistance	11.307		\$	\$ 227,255
Total U.S. Department of Commerce			<u>\$</u>	<u>\$ 227,255</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department of Local Government:</i>				
Community Development Block Grant/States Program - Women's Addiction Recovery Manor	14.228	20C-009	\$ 199,000	\$ 199,000
Total U.S. Department of Housing and Urban Development			<u>\$ 199,000</u>	<u>\$ 199,000</u>
<u>U.S. Department of Justice</u>				
<i>Passed-Through Kentucky Department of Justice:</i>				
Crime Victim Assistance Grant	16.575	0027	\$	\$ 55,316
Total U.S. Department of Justice			<u>\$</u>	<u>\$ 55,316</u>
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department of Local Government:</i>				
COVID-19 Coronavirus Relief Fund (CRF)	21.019	C-364	\$	\$ 114,769
COVID-19 Coronavirus Relief Fund (CRF)	21.019	C2-056		574,170
Total U.S. Department of Treasury			<u>\$</u>	<u>\$ 688,939</u>

The accompanying notes are an integral part of this schedule

HENDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For The Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Agriculture</u>				
<i>Passed-Through Delta Regional Authority:</i>				
States' Economic Development Assistance Program	90.204		\$	\$ 25,390
Total U.S. Department of Agriculture			<u>\$</u>	<u>\$ 25,390</u>
<u>U. S. Election Assistance Commission</u>				
<i>Passed-Through Kentucky Board of Elections:</i>				
COVID-19 2020 Help America Vote Act (HAVA) CARES Act	90.404		\$	\$ 26,901
Total U.S. Election Assistance Commission			<u>\$</u>	<u>\$ 26,901</u>
<u>U.S. Department of Health and Family Services</u>				
<i>Passed-Through Kentucky Cabinet of Health and Family Services</i>				
Child Support Enforcement Grant	93.563	19000002095	\$	90,413
Total U.S. Department of Health and Family Services			<u>\$</u>	<u>\$ 90,413</u>

The accompanying notes are an integral part of this schedule

HENDERSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For The Year Ended June 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4361	\$	\$ 320,196
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4428		50,723
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4540		43,065
Emergency Management Performance Grant	97.042	SC 095 200000513		23,254
Total U.S. Department of Homeland Security			<u>\$</u>	<u>\$ 437,238</u>
Total Cash Expenditures of Federal Awards			<u>\$ 199,000</u>	<u>\$ 1,750,452</u>

The accompanying notes are an integral part of this schedule

HENDERSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Henderson County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Henderson County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Henderson County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Henderson County has not adopted an indirect cost rate.

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

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Henderson County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Henderson County Fiscal Court's financial statement and have issued our report thereon dated December 2, 2021.

Internal Control Over Financial Reporting

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

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. 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.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Henderson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 "Roy W. Hunter", with a long horizontal flourish extending to the right.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

December 2, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Henderson County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Henderson County Fiscal Court's major federal programs for the year ended June 30, 2021. The Henderson County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Henderson County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Henderson County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Henderson County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

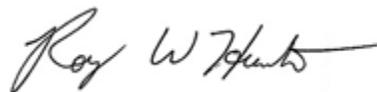
Management of the Henderson County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Henderson County Fiscal Court's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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

December 2, 2021

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Section I: Summary of Auditor’s Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor’s report issued on compliance for major federal programs: <i>Unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund
90.404	COVID-19 2020 Help America Vote Act (HAVA) CARES Act

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Section II: Financial Statement Findings – None noted.

Section III: Federal Award Findings And Questioned Costs – None noted.

Section IV: Summary Schedule of Prior Audit Findings – None noted.

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

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



County Judge/Executive



County Treasurer