

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS**

[www.auditor.ky.gov](http://www.auditor.ky.gov)

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912





**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 Stephen Henry, Webster County Judge/Executive  
Members of the Webster County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Webster County, Kentucky, for the year ended June 30, 2016.

We engaged Tichenor & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Webster County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure





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

**June 30, 2016**

Tichenor & Associates, LLP has completed the audit of the Webster County Fiscal Court for the fiscal year ended June 30, 2016.

They have issued an unmodified opinion, based on our audit, of 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 \$11,449,284 and disbursements of \$11,244,363 in fiscal year 2016. This resulted in a total ending fund balance of \$2,474,900, which is an increase of \$204,921 from the prior year.

**Finding:**

2016-001 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260

**Deposits:**

The fiscal court's deposits as of June 30, 2016, were exposed to custodial credit risk at one bank as follows:

- Uncollateralized and Uninsured \$62,243

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but one bank did not adequately collateralize the fiscal court's deposits in accordance with the collateral security agreement.



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**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS  
1700 EASTPOINT PARKWAY, SUITE 270  
LOUISVILLE, KY 40223  
BUSINESS: (502) 245-0775  
FAX: (502) 245-0725  
E-MAIL: [wtichenor@tichenorassociates.com](mailto:wtichenor@tichenorassociates.com)

To the People of Kentucky  
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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, 2016, 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 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, 2016, or changes in financial position or cash flows thereof for the year then ended.

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

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

### **Other Matters**

#### *Supplementary Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2017, on our consideration of the 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 Schedule of Findings and Responses included herein, which discusses the following report finding:

2016-001 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 28, 2017

WEBSTER COUNTY OFFICIALS

For the Year Ended June 30, 2016

**Fiscal Court Members:**

Stephen Henry	County Judge/Executive
Jerry Brown	Magistrate
Chad Townsend	Magistrate
Tony Felker	Magistrate

**Other Elected Officials:**

W. Clint Prow	County Attorney
Terry Elder	Jailer
Valerie Newell	County Clerk
Frankie Springfield	Sheriff
Jeffrey Kelley	Property Valuation Administrator
Larry Vanover	Coroner

**Appointed Personnel:**

Paula Guinn	County Treasurer
Leesa Russell	Finance Officer

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

**For the Year Ended June 30, 2016**

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

**For the Year Ended June 30, 2016**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,420,079	\$	\$
In Lieu Tax Payments	18,014		
Excess Fees	12,000		
Licenses and Permits	10,929		
Intergovernmental	1,509,237	1,764,203	2,751,444
Charges for Services	10,251		59,788
Miscellaneous	78,226	553,575	190,322
Interest	2,874	4,460	1,648
Total Receipts	<u>3,061,610</u>	<u>2,322,238</u>	<u>3,003,202</u>
<b>DISBURSEMENTS</b>			
General Government	1,480,296		
Protection to Persons and Property	489,045		2,082,988
General Health and Sanitation	44,346		
Social Services	6,315		
Recreation and Culture			
Roads		1,935,526	
Airports			
Debt Service			365,283
Administration	797,891	272,961	534,431
Total Disbursements	<u>2,817,893</u>	<u>2,208,487</u>	<u>2,982,702</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>243,717</u>	<u>113,751</u>	<u>20,500</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	243,717	113,751	20,500
Fund Balance - Beginning (Restated)	361,525	434,643	315,728
Fund Balance - Ending	<u>\$ 605,242</u>	<u>\$ 548,394</u>	<u>\$ 336,228</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 850,871	\$ 858,545	\$ 443,581
Less: Outstanding Checks	<u>(245,629)</u>	<u>(310,151)</u>	<u>(107,353)</u>
Fund Balance - Ending	<u>\$ 605,242</u>	<u>\$ 548,394</u>	<u>\$ 336,228</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, 2016**  
**(Continued)**

		Budgeted Funds			Unbudgeted Funds	
Local Government Economic Assistance Fund	State Grants Fund	Local Government Economic Development Fund	Sanitation Fund	Animal Shelter Fund	Sewer Replacement Fund	Jail Commissary Fund
\$	\$	\$	\$	\$	\$	\$
950						
1,339,002	947,562					
92			204,300			181,190
183,552						
2,474	88		165	156	168	100
<u>1,526,070</u>	<u>947,650</u>		<u>204,465</u>	<u>156</u>	<u>168</u>	<u>181,290</u>
225,943	2,050					
76,546	101,931					
908,628	177,227		233,640	17,997		
124,403						
4,023						190,970
78,349						
61,268	661,076					
154,205			14,590			
<u>1,633,365</u>	<u>942,284</u>		<u>248,230</u>	<u>17,997</u>		<u>190,970</u>
<u>(107,295)</u>	<u>5,366</u>		<u>(43,765)</u>	<u>(17,841)</u>	<u>168</u>	<u>(9,680)</u>
			17,900		(17,900)	
			<u>17,900</u>		<u>(17,900)</u>	
(107,295)	5,366		(25,865)	(17,841)	(17,732)	(9,680)
956,504	8,567		38,703	75,095	37,668	40,470
<u>\$ 849,209</u>	<u>\$ 13,933</u>	<u>\$ 0</u>	<u>\$ 12,838</u>	<u>\$ 57,254</u>	<u>\$ 19,936</u>	<u>\$ 30,790</u>
\$ 1,064,264	\$ 19,396	\$	\$ 25,632	\$ 57,254	\$ 19,936	\$ 31,115
<u>(215,055)</u>	<u>(5,463)</u>		<u>(12,794)</u>			<u>(325)</u>
<u>\$ 849,209</u>	<u>\$ 13,933</u>	<u>\$ 0</u>	<u>\$ 12,838</u>	<u>\$ 57,254</u>	<u>\$ 19,936</u>	<u>\$ 30,790</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, 2016**  
**(Continued)**

	<u>Unbudgeted Funds</u>	
	<b>Public Properties Bond Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>		
Taxes	\$	\$ 1,420,079
In Lieu Tax Payments		18,014
Excess Fees		12,000
Licenses and Permits		11,879
Intergovernmental	202,435	8,513,883
Charges for Services		455,621
Miscellaneous		1,005,675
Interest		12,133
Total Receipts	<u>202,435</u>	<u>11,449,284</u>
<b>DISBURSEMENTS</b>		
General Government		1,708,289
Protection to Persons and Property		2,750,510
General Health and Sanitation		1,381,838
Social Services		130,718
Recreation and Culture		194,993
Roads		2,013,875
Airports		61,268
Debt Service	201,435	1,227,794
Administration	1,000	1,775,078
Total Disbursements	<u>202,435</u>	<u>11,244,363</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>204,921</u>
<b>Other Adjustments to Cash (Uses)</b>		
Transfers From Other Funds		17,900
Transfers To Other Funds		<u>(17,900)</u>
Total Other Adjustments to Cash (Uses)		
Net Change in Fund Balance		204,921
Fund Balance - Beginning	1,076	2,269,979
Fund Balance - Ending	<u>\$ 1,076</u>	<u>\$ 2,474,900</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 1,076	\$ 3,371,670
Less Outstanding Checks		<u>(896,770)</u>
Ending Fund Balance	<u>\$ 1,076</u>	<u>\$ 2,474,900</u>

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



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TO THE FINANCIAL STATEMENT**

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**WEBSTER COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

**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 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.

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

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

**C. Basis of Presentation (Continued)**

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

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

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

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 revenues and related disbursements. The primary source of receipts for this fund is charges for services.

Animal Shelter Fund - The primary purpose of this fund is to account for funds received to pay for animal shelter expenses. The primary sources of receipts for this fund were interest and donations.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of 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.

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.

**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.

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

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

**D. Budgetary Information (Continued)**

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the 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

**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).

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

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

**G. Long-term Obligations**

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

**Note 2. Deposits**

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.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of June 30, 2016, public funds were exposed to custodial credit risk because one bank did not adequately collateralize the fiscal court's deposits in accordance with the collateral security agreement.

- Uncollateralized and Uninsured \$62,243

**Note 3. Transfers**

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

	Sewer Replacement Fund	Total Transfers In
Sanitation Fund	\$ 17,900	\$ 17,900
Total Transfers Out	<u>\$ 17,900</u>	<u>\$ 17,900</u>

Reason for transfers:

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

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

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$36,032.

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, 2016 was \$127,497.

**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 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 four percent to 4.50 percent. Interest is payable on February 1 and August 1 of each year. As of June 30, 2016, bonds outstanding were \$1,655,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 140,000	\$ 58,285
2018	150,000	54,785
2019	150,000	50,660
2020	155,000	46,310
2021	165,000	41,505
2022-2026	895,000	113,393
Totals	<u>\$ 1,655,000</u>	<u>\$ 364,938</u>

**B. Webster County Detention Center Expansion**

On December 16, 2010, the Webster County Fiscal Court entered into a lease-purchase agreement with the 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 percent. 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, 2016, totaled \$4,568,750. Future principal and interest requirements are:

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

**Note 5. Long-term Debt (Continued)**

**B. Webster County Detention Center Expansion (Continued)**

Fiscal Year Ending June 30	Principal	Interest
2017	\$ 137,083	\$ 215,084
2018	142,083	209,258
2019	149,167	203,220
2020	157,083	196,880
2021	162,083	190,204
2022-2026	928,750	840,791
2027-2031	1,177,917	607,849
2032-2036	1,513,334	285,417
2037	201,250	10,063
Totals	<u>\$ 4,568,750</u>	<u>\$ 2,758,766</u>

**C. Changes in Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 1,795,000	\$	\$ 140,000	\$ 1,655,000	\$ 140,000
Financing Obligations	4,700,833		132,083	4,568,750	137,083
Total Long-term Debt	<u>\$ 6,495,833</u>	<u>\$ 0</u>	<u>\$ 272,083</u>	<u>\$ 6,223,750</u>	<u>\$ 277,083</u>

**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 percent of the Solid Waste Recycling Facility and Program operating expenses. The county did not incur any expenses under this agreement for the fiscal year ended June 30, 2016.

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

**Note 6. Commitments and Contingencies (Continued)**

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

Webster County 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 the fiscal year ended June 30, 2016.

**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**

Webster County has retained an ongoing financial interest in the Regional Economic Development Corporation (REDC). The REDC is a joint venture between the county and McLean, Union, and Henderson Counties for the purpose of promoting economic development activities in such counties. Expenses incurred by the county under this agreement for the fiscal year ended June 30, 2016, was \$30,000.

**Note 7. Employee Retirement System**

**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 duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

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

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) 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) employer pay credit. The employer pay credit represents a portion of the employer contribution.



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

**Note 7. Employee Retirement System (Continued)**

The county's contribution for FY 2014 was \$562,160 (restated to remove employee portion), FY 2015 was \$567,132, and FY 2016 was \$561,087.

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:

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

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

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

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

**Note 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.

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

**Note 8. Deferred Compensation (Continued)**

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

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

**Note 9. Health Reimbursement Account/Flexible Spending Account**

The Webster County 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 as of June 30, 2016 was \$127,497.

**Note 10. Insurance**

For the fiscal year ended June 30, 2016, the Webster County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Conduit Debt**

From time to time, the Webster County Fiscal Court 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 the 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, 2016, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 12. Prior Period Adjustments**

The beginning fund balances for the general, road, and LGEA funds were increased \$172, \$428, and \$5,210, respectively, for prior year voided checks.

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

**For the Year Ended June 30, 2016**



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

**For the Year Ended June 30, 2016**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,321,580	\$ 1,321,580	\$ 1,420,079	\$ 98,499
In Lieu Tax Payments	8,682	8,682	18,014	9,332
Excess Fees	16,988	16,988	12,000	(4,988)
Licenses and Permits	10,564	10,564	10,929	365
Intergovernmental	1,221,631	1,221,631	1,509,237	287,606
Charges for Services	4,432	4,432	10,251	5,819
Miscellaneous	31,922	31,922	78,226	46,304
Interest	3,112	3,112	2,874	(238)
Total Receipts	<u>2,618,911</u>	<u>2,618,911</u>	<u>3,061,610</u>	<u>442,699</u>
<b>DISBURSEMENTS</b>				
General Government	1,524,625	1,517,825	1,480,296	37,529
Protection to Persons and Property	497,759	501,759	489,045	12,714
General Health and Sanitation	41,435	47,435	44,346	3,089
Social Services		6,600	6,315	285
Administration	1,035,713	1,025,913	797,891	228,022
Total Disbursements	<u>3,099,532</u>	<u>3,099,532</u>	<u>2,817,893</u>	<u>281,639</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(480,621)</u>	<u>(480,621)</u>	<u>243,717</u>	<u>724,338</u>
Net Change in Fund Balance	(480,621)	(480,621)	243,717	724,338
Fund Balance - Beginning (Restated)	<u>480,621</u>	<u>480,621</u>	<u>361,525</u>	<u>(119,096)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 605,242</u>	<u>\$ 605,242</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,255,214	\$ 1,255,214	\$ 1,764,203	\$ 508,989
Miscellaneous	152,026	152,026	553,575	401,549
Interest	2,968	2,968	4,460	1,492
Total Receipts	<u>1,410,208</u>	<u>1,410,208</u>	<u>2,322,238</u>	<u>912,030</u>
<b>DISBURSEMENTS</b>				
Roads	1,329,466	1,937,166	1,935,526	1,640
Administration	274,962	275,262	272,961	2,301
Total Disbursements	<u>1,604,428</u>	<u>2,212,428</u>	<u>2,208,487</u>	<u>3,941</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(194,220)</u>	<u>(802,220)</u>	113,751	<u>915,971</u>
Net Change in Fund Balance	(194,220)	(802,220)	113,751	915,971
Fund Balance - Beginning (Restated)	<u>194,220</u>	<u>194,220</u>	<u>434,643</u>	<u>240,423</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (608,000)</u>	<u>\$ 548,394</u>	<u>\$ 1,156,394</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,582,827	\$ 2,582,827	\$ 2,751,444	\$ 168,617
Charges for Services	56,950	56,950	59,788	2,838
Miscellaneous	199,972	199,972	190,322	(9,650)
Interest	2,784	2,784	1,648	(1,136)
Total Receipts	<u>2,842,533</u>	<u>2,842,533</u>	<u>3,003,202</u>	<u>160,669</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,241,464	2,246,964	2,082,988	163,976
Debt Service	365,285	365,285	365,283	2
Administration	635,784	630,284	534,431	95,853
Total Disbursements	<u>3,242,533</u>	<u>3,242,533</u>	<u>2,982,702</u>	<u>259,831</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>20,500</u>	<u>420,500</u>
Net Change in Fund Balance	(400,000)	(400,000)	20,500	420,500
Fund Balance - Beginning	400,000	400,000	315,728	(84,272)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 336,228</u>	<u>\$ 336,228</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
License and Permits	\$ 1,060	\$ 1,060	\$ 950	\$ (110)
Intergovernmental	1,482,976	1,482,976	1,339,002	(143,974)
Charges for Services			92	92
Miscellaneous Revenue	288,380	288,380	183,552	(104,828)
Interest	2,279	2,279	2,474	195
Total Receipts	<u>1,774,695</u>	<u>1,774,695</u>	<u>1,526,070</u>	<u>(248,625)</u>
<b>DISBURSEMENTS</b>				
General Government	241,652	227,052	225,943	1,109
Protection to Persons and Property	110,568	95,968	76,546	19,422
General Health and Sanitation	1,104,840	1,194,640	908,628	286,012
Social Services	143,614	152,914	124,403	28,511
Recreation and Culture	7,500	7,600	4,023	3,577
Roads	346,405	346,405	78,349	268,056
Airports	90,000	90,000	61,268	28,732
Administration	161,124	191,124	154,205	36,919
Total Disbursements	<u>2,205,703</u>	<u>2,305,703</u>	<u>1,633,365</u>	<u>672,338</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(431,008)</u>	<u>(531,008)</u>	<u>(107,295)</u>	<u>423,713</u>
Net Change in Fund Balance	(431,008)	(531,008)	(107,295)	423,713
Fund Balance - Beginning (Restated)	<u>431,008</u>	<u>431,008</u>	<u>956,504</u>	<u>525,496</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (100,000)</u>	<u>\$ 849,209</u>	<u>\$ 949,209</u>



**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,532,619	\$ 1,532,619	\$ 947,562	\$ (585,057)
Interest			88	88
Total Receipts	<u>1,532,619</u>	<u>1,532,619</u>	<u>947,650</u>	<u>(584,969)</u>
<b>DISBURSEMENTS</b>				
General Government		2,500	2,050	450
Protection to Persons and Property	73,000	123,000	101,931	21,069
General Health and Sanitation	299,542	299,542	177,227	122,315
Roads	1,160,077	1,107,577	661,076	446,501
Total Disbursements	<u>1,532,619</u>	<u>1,532,619</u>	<u>942,284</u>	<u>590,335</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>5,366</u>	<u>5,366</u>
Net Change in Fund Balance			5,366	5,366
Fund Balance - Beginning			<u>8,567</u>	<u>8,567</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,933</u>	<u>\$ 13,933</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(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>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$	\$ (1,000,000)
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u></u>	<u>(1,000,000)</u>
<b>DISBURSEMENTS</b>				
General Government	1,000,000	264,300	<u></u>	<u>264,300</u>
Total Disbursements	<u>1,000,000</u>	<u>264,300</u>	<u></u>	<u>264,300</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u></u>	<u>735,700</u>	<u></u>	<u>(735,700)</u>
Net Change in Fund Balance	<u></u>	<u>735,700</u>	<u></u>	<u>(735,700)</u>
Fund Balance - Beginning	<u></u>	<u></u>	<u></u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 735,700</u>	<u>\$ 0</u>	<u>\$ (735,700)</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

	<b>SANITATION FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 190,213	\$ 190,213	\$ 204,300	\$ 14,087
Interest	271	271	165	(106)
Total Receipts	<u>190,484</u>	<u>190,484</u>	<u>204,465</u>	<u>13,981</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	209,460	233,860	233,640	220
Administration	14,809	18,109	14,590	3,519
Total Disbursements	<u>224,269</u>	<u>251,969</u>	<u>248,230</u>	<u>3,739</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(33,785)</u>	<u>(61,485)</u>	<u>(43,765)</u>	<u>17,720</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			17,900	17,900
Total Other Adjustments to Cash (Uses)			<u>17,900</u>	<u>17,900</u>
Net Change in Fund Balance	(33,785)	(61,485)	(25,865)	35,620
Fund Balance - Beginning	<u>33,785</u>	<u>33,785</u>	<u>38,703</u>	<u>4,918</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (27,700)</u>	<u>\$ 12,838</u>	<u>\$ 40,538</u>

**WEBSTER COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**  
**(Continued)**

<b>ANIMAL SHELTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 156	\$ 156
Total Receipts			156	156
<b>DISBURSEMENTS</b>				
General Health and Sanitation	18,000	18,000	17,997	3
Total Disbursements	18,000	18,000	17,997	3
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(18,000)	(18,000)	(17,841)	159
Net Change in Fund Balance	(18,000)	(18,000)	(17,841)	159
Fund Balance - Beginning	18,000	18,000	75,095	57,095
Fund Balance - Ending	\$ 0	\$ 0	\$ 57,254	\$ 57,254

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

**For the Year Ended June 30, 2016**

**Note 1. Budgetary Information**

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

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**WEBSTER COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For the Year Ended June 30, 2016**





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

**For the Year Ended June 30, 2016**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 277,912	\$	\$	\$ 277,912
Land Improvements	245,323	207,369		452,692
Construction in Progress	58,926	74,715	133,641	
Buildings	13,445,472	252,190		13,697,662
Vehicles and Equipment	2,457,493	821,931	36,282	3,243,142
Other Equipment	3,294,235	382,591	224,600	3,452,226
Infrastructure	16,530,372	765,793	13,456	17,282,709
 Total Capital Assets	 <u>\$ 36,309,733</u>	 <u>\$ 2,504,589</u>	 <u>\$ 407,979</u>	 <u>\$38,406,343</u>

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

**For the Year Ended June 30, 2016**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, building improvements, equipment, vehicles, 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
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***



**TICHENOR & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS  
1700 EASTPOINT PARKWAY, SUITE 270  
LOUISVILLE, KY 40223  
BUSINESS: (502) 245-0775  
FAX: (502) 245-0725  
E-MAIL: [wtichenor@tichenorassociates.com](mailto:wtichenor@tichenorassociates.com)

The Honorable Stephen Henry, 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, 2016, 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 March 28, 2017.

**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.

*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 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

### **Views of Responsible Officials and Planned Corrective Action**

Webster County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

### **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,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

March 28, 2017

**WEBSTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For the Year Ended June 30, 2016**





WEBSTER COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the year ended June 30, 2016

STATE LAWS AND REGULATIONS:

2016-001 The Fiscal Court Did Not Advertise For Bids In Accordance With KRS 424.260

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This is a repeat finding and was included in the prior year audit report as finding 2015-003. The fiscal court failed to advertise for bids on two roll off trucks and one patcher truck. The fiscal court buys and sells two roll off trucks each year from a vendor. The fiscal court originally received the two roll off trucks every year through the Kentucky Association of Counties Leasing Program (KaCOLT). The fiscal court decided to purchase and resell the roll off trucks each year, instead of leasing.

By failing to bid certain assets purchased during the fiscal year, the county is not in compliance with state laws and regulations.

KRS 424.260(1) states “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend all purchases where a single purchase from a vendor is paid greater than \$20,000 be bid in accordance with KRS 424.260(1) and that documentation of the bid process be maintained.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The Court will abide by KRS 424.260 when buying equipment.*

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

**WEBSTER COUNTY FISCAL COURT**

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

Appendix A



CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

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.

A handwritten signature in black ink, appearing to read "Stephen R. Denny", written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Paula H. ...", written over a horizontal line.

County Treasurer

