

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
FLOYD COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	37
SCHEDULE OF CAPITAL ASSETS.....	41
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	42
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 <i>GOVERNMENT AUDITING STANDARDS</i>	45
SCHEDULE OF FINDINGS AND RESPONSES.....	49
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Robbie Williams, Floyd County Judge/Executive
Members of the Floyd 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 Floyd County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Floyd 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 Beshear, Governor
Holly M. Johnson, Secretary
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Members of the Floyd 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 Floyd 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 Floyd County Fiscal Court as of June 30, 2019, 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 Floyd County Fiscal Court as of June 30, 2019, 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 Floyd County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) 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 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.

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.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Robbie Williams, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022, on our consideration of the Floyd 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 Floyd County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 The Floyd County Fiscal Court Did Not Prepare A Timely Or Accurate Schedule Of Expenditures Of Federal Awards
- 2019-002 The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process
- 2019-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report
- 2019-004 The Floyd County Fiscal Court Was Not In Compliance With Bid Laws And Failed To Implement Adequate Internal Controls Over The Bid Process
- 2019-005 The Floyd County Jailer Lacks Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts
- 2019-006 The Floyd County Jailer Did Not Maintain Daily Checkout Sheets

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

January 27, 2022

FLOYD COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

Ben Hale	Former County Judge/Executive
Robbie Williams	County Judge/Executive
Mark Crider	Magistrate
George Ousley	Magistrate
Mike Tackett	Magistrate
Ronnie Akers	Magistrate
Randy Davis	Former Magistrate
John Goble	Former Magistrate

Other Elected Officials:

Keith Bartley	County Attorney
Stuart Halbert	Jailer
Chris Waugh	County Clerk
Douglas Hall	Circuit Court Clerk
John Hunt	Sheriff
Connie Hancock	Property Valuation Administrator
Gregory Nelson	Coroner

Appointed Personnel:

David Layne	County Treasurer
Cameron Stephens	Finance Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 5,055,317	\$	\$	\$ 121,594
In Lieu Tax Payments	36,044			
Excess Fees	135,991			
Licenses and Permits	33,037			
Intergovernmental	964,613	2,081,428	573,922	1,900,655
Charges for Services	2,170,389		1,025	48,833
Miscellaneous	200,815		64,852	2,567
Interest	19,147	12,601	5,133	32,118
Total Receipts	<u>8,615,353</u>	<u>2,094,029</u>	<u>644,932</u>	<u>2,105,767</u>
DISBURSEMENTS				
General Government	2,285,135			1,000
Protection to Persons and Property	287,116		1,906,600	77,181
General Health and Sanitation	1,976,909			274,254
Social Services	376,733			
Recreation and Culture				747,316
Roads		2,861,317		
Road Facilities				
Debt Service	161,618	268,552		
Capital Projects				4,979
Administration	669,213	468,974	419,428	156,533
Total Disbursements	<u>5,756,724</u>	<u>3,598,843</u>	<u>2,326,028</u>	<u>1,261,263</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,858,629</u>	<u>(1,504,814)</u>	<u>(1,681,096)</u>	<u>844,504</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	29,791			
Transfers From Other Funds		1,900,000	1,850,000	
Transfers To Other Funds	(3,600,000)	(105,563)		(1,700,000)
Total Other Adjustments to Cash (Uses)	<u>(3,570,209)</u>	<u>1,794,437</u>	<u>1,850,000</u>	<u>(1,700,000)</u>
Net Change in Fund Balance	(711,580)	289,623	168,904	(855,496)
Fund Balance - Beginning (Restated)	<u>2,538,992</u>	<u>23,020</u>	<u>25,879</u>	<u>923,148</u>
Fund Balance - Ending	<u>\$ 1,827,412</u>	<u>\$ 312,643</u>	<u>\$ 194,783</u>	<u>\$ 67,652</u>
Composition of Fund Balance				
Bank Balance	\$ 1,829,449	\$ 318,877	\$ 207,870	\$ 87,749
Payroll Revolving Account Reconciled Balance	29,791			
Plus: Deposits In Transit				
Less: Outstanding Checks	(31,828)	(6,234)	(13,087)	(20,097)
Fund Balance - Ending	<u>\$ 1,827,412</u>	<u>\$ 312,643</u>	<u>\$ 194,783</u>	<u>\$ 67,652</u>

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

FLOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

Budgeted Funds					
State Grants Fund	Federal Grants Fund	Federal Disaster Fund	Revolving Loan Fund	E-911 Fund	Construction Fund
\$	\$	\$	\$	\$ 142,392	\$
10,000				54,963	383,267
				154,755	
		144	285	2,140	9,971
10,000		144	285	354,250	393,238
				325,707	383,265
		47,047			
				3,512	
		47,047		329,219	383,265
10,000		(46,903)	285	25,031	9,973
		155,563			1,500,000
		155,563			1,500,000
10,000		108,660	285	25,031	1,509,973
3,534	91	59,560	15,506	48,696	4,829
\$ 13,534	\$ 91	\$ 168,220	\$ 15,791	\$ 73,727	\$ 1,514,802
\$ 13,534	\$ 91	\$ 168,220	\$ 15,791	\$ 75,799	\$ 1,514,802
				(2,072)	
\$ 13,534	\$ 91	\$ 168,220	\$ 15,791	\$ 73,727	\$ 1,514,802

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

FLOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 5,319,303
In Lieu Tax Payments			36,044
Excess Fees			135,991
Licenses and Permits			33,037
Intergovernmental	642,010		6,610,858
Charges for Services		139,361	2,359,608
Miscellaneous			422,989
Interest			81,539
Total Receipts	<u>642,010</u>	<u>139,361</u>	<u>14,999,369</u>
DISBURSEMENTS			
General Government			2,286,135
Protection to Persons and Property		130,379	2,726,983
General Health and Sanitation			2,634,428
Social Services			376,733
Recreation and Culture			747,316
Roads			2,861,317
Road Facilities			47,047
Debt Service	612,195		1,042,365
Capital Projects			4,979
Administration			1,717,660
Total Disbursements	<u>612,195</u>	<u>130,379</u>	<u>14,444,963</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>29,815</u>	<u>8,982</u>	<u>554,406</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			29,791
Transfers From Other Funds			5,405,563
Transfers To Other Funds			(5,405,563)
Total Other Adjustments to Cash (Uses)			<u>29,791</u>
Net Change in Fund Balance	29,815	8,982	584,197
Fund Balance - Beginning (Restated)		47,919	3,691,174
Fund Balance - Ending	<u>\$ 29,815</u>	<u>\$ 56,901</u>	<u>\$ 4,275,371</u>
Composition of Fund Balance			
Bank Balance	\$ 29,815	\$ 56,901	\$ 4,318,898
Payroll Revolving Account Reconciled Balance			29,791
Plus: Deposits In Transit			
Less: Outstanding Checks			(73,318)
Fund Balance - Ending	<u>\$ 29,815</u>	<u>\$ 56,901</u>	<u>\$ 4,275,371</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	AGENCY TRUST FUNDS	14
NOTE 5.	LONG-TERM DEBT	15
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	20
NOTE 7.	DEFERRED COMPENSATION.....	22
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	23
NOTE 9.	INSURANCE.....	23
NOTE 10.	CONDUIT DEBT.....	23
NOTE 11.	PRIOR PERIOD ADJUSTMENTS	23
NOTE 12.	REVOLVING PAYROLL ACCOUNT BALANCE.....	23
NOTE 13.	COMMITMENTS AND CONTINGENCIES	24

**FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Floyd County includes all budgeted and unbudgeted funds under the control of the Floyd 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.

The Floyd County Economic Development Authority and Floyd County Recreational and Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity.

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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Federal Disaster Fund - The primary purpose of this fund is for the receipts and disbursement of funds for Federal Emergency Management Agency (FEMA) projects.

Revolving Loan Fund - The primary purpose of this fund is to account for the receipt of notes receivable of the county.

Construction Fund - The primary purpose of this fund is to accumulate resources and to disburse for construction projects.

E-911 Fund - The primary purpose of this fund is to support the county's 911 system.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation 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.

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.

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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Floyd County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Floyd 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 Floyd 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).

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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

A. Deposits - Bank 1

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, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 21, 2018, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$74,781

B. Deposits - Bank 2

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 not met, as the fiscal court did not have a written agreement with the bank.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 2. Deposits (Continued)

B. Deposits - Bank 2 (Continued)

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 fiscal court 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. On June 20, 2019, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$14,521

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Road Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 1,600,000	\$	\$ 300,000	\$ 1,900,000
Jail Fund	1,000,000		850,000	1,850,000
Federal Disaster Fund		105,563	50,000	155,563
Construction Fund	1,000,000		500,000	1,500,000
Total Transfers Out	<u>\$ 3,600,000</u>	<u>\$ 105,563</u>	<u>\$ 1,700,000</u>	<u>\$ 5,405,563</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019 was \$17,337.

Bail Bonds Fund - This fund accounts for the fee charged for processing a bail bond. The balance in the bail bonds fund as of June 30, 2019 was \$260.

Town of Martin Corps of Engineers Flood Control Project Escrow Account - This account receives and disburses funds used for the Town of Martin Corps of Engineers Flood Control Project. The balance as of June 30, 2019 was \$1,084,694.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. First Guaranty Bank - Trucks 2016

In December 2015, the county entered into a loan agreement with First Guaranty Bank to finance the purchase of seven trucks. The principal amount of the loan was \$167,259 with an interest rate of three percent. The agreement requires a monthly payment of \$3,699 until paid in full November 2019. Upon default, lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and then borrower will pay that amount. As of June 30, 2019, the principal balance outstanding remaining is \$18,354. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 18,354	\$ 139
Totals	<u>\$ 18,354</u>	<u>\$ 139</u>

2. Caterpillar - Excavator - District 1

In September 2016, the county entered into a loan agreement with Caterpillar to finance the purchase of an excavator. The principal amount of the loan was \$102,048 with an interest rate of 2.49%. The agreement requires a monthly payment of \$4,354 until paid in full. As of June 30, 2019, the loan was paid in full.

3. Caterpillar - Excavator - District 3

In July 2017, the county entered into a loan agreement with Caterpillar to finance the purchase of an excavator. The principal amount of the loan was \$45,207 with an interest rate of 3.49%. The agreement requires a monthly payment of \$1,010 until paid in full July 2021. Upon an event of default, caterpillar will have all rights and remedies available under applicable law. Caterpillar may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the county and/or Caterpillar may repossess the units by giving written notice to deliver the units to Caterpillar. As of June 30, 2019, the principal balance outstanding remaining is \$24,331. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 11,459	\$ 667
2021	11,865	261
2022	<u>1,007</u>	<u>3</u>
Totals	<u>\$ 24,331</u>	<u>\$ 931</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Community Trust Bank - Excavator - District 4

In March 2018, the county entered into a loan agreement with Caterpillar to finance the purchase of an excavator. The principal amount of the loan was \$68,918 with an interest rate of 3.85%. The agreement requires a monthly payment of \$1,553 until paid in full March 2022. Upon default, lender may declare the entire unpaid principal balance under this note and all accrued unpaid interest immediately due, and then borrower will pay that amount. As of June 30, 2019, the principal balance outstanding remaining is \$48,526. Debt service requirements for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 17,045	\$ 1,596
2021	17,726	925
2022	13,755	226
Totals	<u>\$ 48,526</u>	<u>\$ 2,747</u>

B. Other Debt

1. First Mortgage Revenue Refunding Bonds, Series 2013 - Justice Center Project

On August 2013, the Floyd County Public Properties Corporation issued \$6,200,000 in first mortgage revenue bonds, series 2013. The proceeds from these refunding bonds were used to refinance the 2002 first mortgage revenue bonds. These bonds are scheduled to mature in fiscal year 2027 and carry an interest rate of 1.2 percent to 3.6 percent. Semiannual interest payments are required on September 1 and March 1 of each year.

The Floyd County Public Properties Corporation is acting as an agent for the Administrative Office of the Courts in order to manage and maintain the justice center. The Floyd Public Properties Corporation expects rentals for use of the justice center to be in the full amount of the principal and interest requirements of the bonds.

Under the terms of a lease, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowances payment as provided in the lease. The lease agreement is renewable each year. The Floyd Public Properties Corporation is in reliance upon the use allowance payment in order to meet debt service on the bonds.

The Administrative Office of the Courts with the execution of the lease expressed its intention to continue to pay the full allowance payment in successive biennial budget periods until March 2027. However, the lease does not obligate the Administrative Office of the Courts to do so.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

1. First Mortgage Revenue Refunding Bonds, Series 2013 - Justice Center Project (Continued)

In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds; by bringing suit upon the bonds; by action or suit in equity, require the corporation to account as if it were the trustee of an express trust for the owners of the bonds; by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the bonds; by declaring all bonds due and payable, and if all defaults will be made good, then, with the written consent of the owners of not less than 25% in a principal amount of the outstanding bonds, by annulling such declaration and its consequences; and in the event that all bonds are declared due and payable, by selling investment obligations of the corporation (to the extent not theretofore set aside for redemption of the bonds for which call has been made), and enforcing all chooses in action of the corporation to the fullest legal extent in the name of the corporation for the use and benefit of the owners of the bonds. As of June 30, 2019, the principal balance on these bonds was \$4,330,000. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 485,000	\$ 128,995
2021	500,000	116,645
2022	515,000	101,420
2023	530,000	85,745
2024	545,000	69,348
2025-2027	<u>1,755,000</u>	<u>94,487</u>
Totals	<u>\$ 4,330,000</u>	<u>\$ 596,640</u>

2. KADD - Southern Water

In June 2006, the county entered into a lease agreement with Kentucky Area Development Districts Financing Trust, Series 2006K in the amount of \$2,600,000. The lease was used to refund the First Mortgage Revenue Bond Anticipation 2004B in the amount of \$2,455,000. Terms of the agreement stipulate a 30 year repayment schedule, with biannual interest payments at a variable rate of 3.0 to 4.7 percent.

In the event of default the lessor may, by appropriate court action, enforce the pledge set forth in the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; sell or re-lease the project or any portion thereof; or take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease and any collateral documents (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law), and/ or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the Lessee of the applicable covenants and agreements of the lessee under the lease (subject, however, to the limitations thereon contained in the lease) and to recover damages for the breach thereof.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

3. KADD - Southern Water (Continued)

The principal amount is due December 1 and June 1 of each year. As of June 30, 2019, the principal balance was \$1,765,000. Payments for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 75,000	\$ 82,010
2021	80,000	78,635
2022	85,000	75,035
2023	90,000	71,210
2024	90,000	67,160
2025-2029	525,000	268,780
2030-2034	665,000	133,245
2035	<u>155,000</u>	<u>7,285</u>
Totals	<u>\$ 1,765,000</u>	<u>\$ 783,360</u>

4. KACO - Asphalt Bond

On October 2017, the county entered into a lease with the Kentucky Association of Counties Finance Corporation for \$2,125,000 in order to perform various road and jail improvements. The lease is scheduled to mature in fiscal year 2032 and carry an interest rate of 3.93 percent. Semiannual interest payments are required on December 20 and June 20 of each year.

In the event of default the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: by appropriate court action, enforce the pledge set forth in the lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to pay the lease rental payments when and as due; take legal title to, and sell or re-lease the project or any portion thereof; take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under the lease (subject, however, to the limitations thereon contained in the lease) and to recover damages for the breach thereof.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

4. KACO - Asphalt Bond (Continued)

As of June 30, 2019, the principal balance on the lease was \$2,020,000. Debt service requirements for the remaining years are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 110,000	\$ 77,932
2021	115,000	73,157
2022	120,000	68,169
2023	125,000	62,969
2024	130,000	57,557
2025-2029	730,000	199,059
2030-2033	<u>690,000</u>	<u>51,005</u>
Totals	<u>\$ 2,020,000</u>	<u>\$ 589,848</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 171,844	\$	\$ 80,633	\$ 91,211	\$ 46,858
Other Debt	<u>8,770,000</u>		<u>655,000</u>	<u>8,115,000</u>	<u>670,000</u>
Total Long-term Debt	<u>\$ 8,941,844</u>	<u>\$ 0</u>	<u>\$ 735,633</u>	<u>\$ 8,206,211</u>	<u>\$ 716,858</u>

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedule

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2020	\$ 670,000	288,937	\$ 46,858	\$ 2,402
2021	695,000	268,437	29,591	1,186
2022	720,000	244,624	14,762	229
2023	745,000	219,924		
2024	765,000	194,065		
2025-2029	3,010,000	562,326		
2030-2034	1,355,000	184,250		
2035	155,000	7,285		
Totals	<u>\$ 8,115,000</u>	<u>\$ 1,969,848</u>	<u>\$ 91,211</u>	<u>\$ 3,817</u>

Note 6. Employee Retirement System

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

The county's contribution for FY 2017 was \$523,695, FY 2018 was \$523,093, and FY 2019 was \$587,184.

Nonhazardous

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

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

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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.

The county's contribution rate for nonhazardous employees was 21.48 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, they 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 percent. 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 percent 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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 7. Deferred Compensation

The Floyd 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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. 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 8. Health Reimbursement Account/Flexible Spending Account

The Floyd County Fiscal Court, established a flexible spending account and Health Reimbursement Account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The administrator tracks employee and employer contributions to the plan based on the enrollment forms and claims paid to determine availability of funds per employee. The funds are kept in bank account by the county and the third-party administrator withdraws claims from the account.

Note 9. Insurance

For the fiscal year ended June 30, 2019, the Floyd 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 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to others 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 Floyd 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, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 11. Prior Period Adjustments

The beginning balance of the road fund was increased by \$2, local government economic assistance fund decreased by \$1, E-911 fund increased by \$1, and construction fund decreased by \$1, to agree financial statement beginning fund balance to prior year's ending balance due to rounding.

Note 12. Revolving Payroll Account Balance

The balance of the payroll revolving account of \$29,791, as of June 30, 2019, was added to the general fund cash balance for financial reporting purposes.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 13. Commitments and Contingencies

The county is involved in multiple lawsuits. 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.

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,333,300	\$ 3,333,300	\$ 5,055,317	\$ 1,722,017
In Lieu Tax Payments	6,000	6,000	36,044	30,044
Excess Fees	100,000	100,000	135,991	35,991
Licenses and Permits	28,000	28,000	33,037	5,037
Intergovernmental	1,009,550	1,009,550	964,613	(44,937)
Charges for Services	2,350,000	2,350,000	2,170,389	(179,611)
Miscellaneous	2,670,351	2,670,351	200,815	(2,469,536)
Interest	1,200	1,200	19,147	17,947
Total Receipts	9,498,401	9,498,401	8,615,353	(883,048)
DISBURSEMENTS				
General Government	2,340,308	2,617,865	2,285,135	332,730
Protection to Persons and Property	584,890	590,890	287,116	303,774
General Health and Sanitation	1,977,775	1,986,475	1,976,909	9,566
Social Services	281,000	351,000	376,733	(25,733)
Airports	2,500	2,500		2,500
Bus Services	1,000	1,000		1,000
Debt Service	2,622,195	742,195	161,618	580,577
Administration	919,632	1,087,375	669,213	418,162
Total Disbursements	8,729,300	7,379,300	5,756,724	1,622,576
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	769,101	2,119,101	2,858,629	739,528
Other Adjustments to Cash (Uses)				
Borrowed Money	50,000	50,000		(50,000)
Transfers To Other Funds	(1,100,000)	(1,100,000)	(3,600,000)	(2,500,000)
Total Other Adjustments to Cash (Uses)	(1,050,000)	(1,050,000)	(3,600,000)	(2,550,000)
Net Change in Fund Balance	(280,899)	1,069,101	(741,371)	(1,810,472)
Fund Balance - Beginning	280,899	280,899	2,538,992	2,258,093
Fund Balance - Ending	\$ 0	\$ 1,350,000	\$ 1,797,621	\$ 447,621

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,314,200	\$ 2,314,200	\$ 2,081,428	\$ (232,772)
Miscellaneous	1,000	1,000		(1,000)
Interest	700	700	12,601	11,901
Total Receipts	2,315,900	2,315,900	2,094,029	(221,871)
DISBURSEMENTS				
Roads	2,397,305	3,395,447	2,861,317	534,130
Debt Service	187,495	268,553	268,552	1
Administration	515,200	536,000	468,974	67,026
Total Disbursements	3,100,000	4,200,000	3,598,843	601,157
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(784,100)	(1,884,100)	(1,504,814)	379,286
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000	1,900,000	1,800,000
Transfers To Other Funds			(105,563)	(105,563)
Total Other Adjustments to Cash (Uses)	100,000	100,000	1,794,437	1,694,437
Net Change in Fund Balance	(684,100)	(1,784,100)	289,623	2,073,723
Fund Balance - Beginning (Restated)	684,100	684,100	23,020	(661,080)
Fund Balance - Ending	\$ 0	\$ (1,100,000)	\$ 312,643	\$ 1,412,643

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 625,000	\$ 625,000	\$ 573,922	\$ (51,078)
Charges for Services	21,000	21,000	1,025	(19,975)
Miscellaneous	64,000	64,000	64,852	852
Interest	300	300	5,133	4,833
Total Receipts	710,300	710,300	644,932	(65,368)
DISBURSEMENTS				
Protection to Persons and Property	1,854,100	2,131,100	1,906,600	224,500
Debt Service	31,000	31,000		31,000
Administration	514,900	587,900	419,428	168,472
Total Disbursements	2,400,000	2,750,000	2,326,028	423,972
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,689,700)	(2,039,700)	(1,681,096)	358,604
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,400,000	1,400,000	1,850,000	450,000
Total Other Adjustments to Cash (Uses)	1,400,000	1,400,000	1,850,000	450,000
Net Change in Fund Balance	(289,700)	(639,700)	168,904	808,604
Fund Balance - Beginning	289,700	289,700	25,879	(263,821)
Fund Balance - Ending	\$ 0	\$ (350,000)	\$ 194,783	\$ 544,783

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 121,594	\$ 21,594
Intergovernmental	1,748,000	1,748,000	1,900,655	152,655
Charges for Services	60,000	60,000	48,833	(11,167)
Miscellaneous	32,000	32,000	2,567	(29,433)
Interest	2,000	2,000	32,118	30,118
Total Receipts	1,942,000	1,942,000	2,105,767	163,767
DISBURSEMENTS				
General Government	50,000	50,000	1,000	49,000
Protection to Persons and Property	144,375	144,375	77,181	67,194
General Health and Sanitation	153,000	363,000	274,254	88,746
Recreation and Culture	799,770	1,052,770	747,316	305,454
Capital Projects	109,000	39,000	4,979	34,021
Administration	376,555	283,555	156,533	127,022
Total Disbursements	1,632,700	1,932,700	1,261,263	671,437
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	309,300	9,300	844,504	835,204
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(400,000)	(400,000)	(1,700,000)	(1,300,000)
Total Other Adjustments to Cash (Uses)	(400,000)	(400,000)	(1,700,000)	(1,300,000)
Net Change in Fund Balance	(90,700)	(390,700)	(855,496)	(464,796)
Fund Balance - Beginning (Restated)	90,700	90,700	923,148	832,448
Fund Balance - Ending	\$ 0	\$ (300,000)	\$ 67,652	\$ 367,652

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 20,200	\$ 20,200	\$ 10,000	\$ (10,200)
Total Receipts	20,200	20,200	10,000	(10,200)
DISBURSEMENTS				
Protection to Persons and Property	20,700	20,700		20,700
Total Disbursements	20,700	20,700		20,700
Net Change in Fund Balance	(500)	(500)	10,000	10,500
Fund Balance - Beginning	500	500	3,534	3,034
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,534	\$ 13,534

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 50,900	\$ 50,900	\$	\$ (50,900)
Total Receipts	50,900	50,900		(50,900)
DISBURSEMENTS				
General Government	56,000	56,000		56,000
Total Disbursements	56,000	56,000		56,000
Net Change in Fund Balance	(5,100)	(5,100)		5,100
Fund Balance - Beginning	5,100	5,100	91	(5,009)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91</u>	<u>\$ 91</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

FEDERAL DISASTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 330,000	\$ 330,000	\$	\$ (330,000)
Interest			144	144
Total Receipts	330,000	330,000	144	(329,856)
DISBURSEMENTS				
Road Facilities	320,000	320,000	47,047	272,953
Administration	10,000	10,000		10,000
Total Disbursements	330,000	330,000	47,047	282,953
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(46,903)	(46,903)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			155,563	155,563
Total Other Adjustments to Cash (Uses)			155,563	155,563
Net Change in Fund Balance			108,660	108,660
Fund Balance - Beginning			59,560	59,560
Fund Balance - Ending	\$ 0	\$ 0	\$ 168,220	\$ 168,220

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Interest	\$	\$	\$ 285
Total Receipts			285
DISBURSEMENTS			
Capital Projects	15,500	15,500	15,500
Total Disbursements	15,500	15,500	15,500
Net Change in Fund Balance	(15,500)	(15,500)	285
Fund Balance - Beginning	15,500	15,500	15,506
Fund Balance - Ending	\$ 0	\$ 0	\$ 15,791

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 172,500	\$ 172,500	\$ 142,392	\$ (30,108)
Intergovernmental			54,963	54,963
Charges for Services	25,000	25,000		(25,000)
Miscellaneous	100,000	100,000	154,755	54,755
Interest	200	200	2,140	1,940
Total Receipts	297,700	297,700	354,250	56,550
DISBURSEMENTS				
Protection to Persons and Property	301,850	358,350	325,707	32,643
Administration	58,150	2,150	3,512	(1,362)
Total Disbursements	360,000	360,500	329,219	31,281
Net Change in Fund Balance	(62,300)	(62,800)	25,031	87,831
Fund Balance - Beginning (Restated)	62,300	62,300	48,696	(13,604)
Fund Balance - Ending	\$ 0	\$ (500)	\$ 73,727	\$ 74,227

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

CONSTRUCTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,350,000	\$ 1,350,000	\$ 383,267	\$ (966,733)
Interest	800	800	9,971	9,171
Total Receipts	1,350,800	1,350,800	393,238	(957,562)
DISBURSEMENTS				
General Health and Sanitation	1,350,000	1,350,000	383,265	966,735
Administration	5,800	5,300		5,300
Total Disbursements	1,355,800	1,355,300	383,265	972,035
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,000)	(4,500)	9,973	14,473
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,500,000	1,500,000
Total Other Adjustments to Cash (Uses)			1,500,000	1,500,000
Net Change in Fund Balance	(5,000)	(4,500)	1,509,973	1,514,473
Fund Balance - Beginning (Restated)	5,000	5,000	4,829	(171)
Fund Balance - Ending	\$ 0	\$ 500	\$ 1,514,802	\$ 1,514,302

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

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

General fund, social services line item, exceeded budgeted appropriations by \$25,733.

E-911 fund, administration line item, exceeded budgeted appropriations by \$1,362.

Note 3. Reconciliation of Budgetary Comparison Schedules and Statement of Receipts, Disbursements, and Changes in Fund Balances

The general fund total fund balance on the Statement of Receipts, Disbursements, and Changes in Fund Balances includes the reconciled balance of the revolving payroll account of \$29,791. This is not reflected on the Budgetary Comparison Schedule for the general fund.

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FLOYD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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FLOYD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,501,249	\$	\$	\$ 3,501,249
Buildings	14,233,000			14,233,000
Equipment	772,964			772,964
Vehicles	3,877,568			3,877,568
Infrastructure	8,430,040			8,430,040
 Total Capital Assets	 <u>\$ 30,814,821</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$30,814,821</u>

FLOYD COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

Note 1. Capital Assets

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robbie Williams, Floyd County Judge/Executive
Members of the Floyd 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 Floyd County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Floyd County Fiscal Court's financial statement and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-006.

Views of Responsible Officials and Planned Corrective Action

Floyd County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

January 27, 2022

**FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Floyd County Fiscal Court Did Not Prepare A Timely Or Accurate Schedule Of Expenditures Of Federal Awards

This is a repeat finding and was included in the prior year audit report as finding 2018-002. The county did not prepare a schedule of expenditures of federal awards (SEFA) for fiscal year 2019 until requested by auditors. The provided schedule failed to include \$364,824 in federal expenditures.

The fiscal court did not have adequate procedures in place to ensure the preparation of the SEFA in a timely manner or to ensure that all federal expenditures were accurately reported. The failure to properly prepare the SEFA could cause the county to potentially miss obtaining a required single audit.

2 CFR 200.510(b) requires the auditee to “also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements.” At a minimum, the schedule should include the following, if applicable.

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the ALN information is not available.
- (4) The total amount provided to sub-recipients from each Federal program.
- (5) For loan or loan guarantee programs described in [§ 200.502\(b\)](#), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule.

We recommend the fiscal court ensure the SEFA is prepared timely and is reported accurately.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The first half of this year was previous administration, along with an inexperienced finance officer.

These recommendations have been taken into consideration and the new Finance Officer will ensure that the SEFA is up to date and accurately records the federal funds awarded to the FCFC.

2019-002 The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process

The budget approved in the fiscal court minutes and by the Department for Local Government did not agree to the amount reported on the fourth quarter report. The approved budget for receipts was a total of \$18,000,000, the amount reported on the fourth quarter was \$19,000,000, for a difference of \$1,000,000. Also, line item budget transfers for expenditure accounts did not zero out as a \$400,000 difference was noted. Line item budget transfers are allowable to move budget capacity where needed; however, these transfers must zero out in total among all funds or else it is indicative that the county utilized budget capacity that did not exist.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process (Continued)

The fiscal court did not have effective internal controls, review procedures, and oversight for the budget process to ensure that correct budget amounts were reported on the fourth quarter report. Inadequate controls over the budget process resulted in the undetected errors noted above. The fiscal court relies on information presented in the quarterly financial reports and inaccurate information could lead to improper decision making.

KRS 68.210 states, “[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The *County Budget Preparation and State Local Finance Officer Policy Manual* requires county officials to submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and expenditures.” The fourth quarter financial report must agree to the original budget and budget amendments submitted to and approved by the Department for Local Government (DLG).

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The first half of this year was previous administration, along with an inexperienced finance officer.

The 4th Quarterly was inputted incorrectly, the 2018-2019 Budget was \$18 million, and the Finance Officer and Treasurer will ensure that the Quarterly reports are entered correctly to DLG.

2019-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report

The Floyd County Fiscal Court did not report the correct amount of debt on the liabilities section of the fourth quarter financial report. Numerous errors were noted:

- Three debt amounts were accounted for twice (once in the long-term liabilities section and once in the short-term liabilities section).
- One debt amount had been paid off in prior periods but still remains on the report.
- Five items for which the amounts reported did not agree to the actual amounts outstanding for principal and interest.

The fiscal court does not have internal controls in place to ensure that debt reported on the liabilities section of the fourth quarter is correct. By not correctly reporting outstanding liabilities, the fiscal court cannot make effective management decisions as it relates to debt service outstanding each fiscal year. Additionally, the amount of debt reported on the county’s fourth quarter financial report is overstated by \$10,544,729.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report (Continued)

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. Furthermore, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all county debt be reflected properly on the quarterly financial statement.

We recommend the Floyd County Fiscal Court properly and accurately disclose all debt on the quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The first half of this year was previous administration, along with an inexperienced finance officer.

We feel the debt was inputted twice on the report submitted to DLG, that is why it's incorrectly reported.

These recommendations have been taken into consideration and the new Finance Officer will ensure that the 4th Quarterly matches the Treasurers records from this point forward.

2019-004 The Floyd County Fiscal Court Was Not In Compliance With Bid Laws And Failed To Implement Adequate Internal Controls Over The Bid Process

The Floyd County Fiscal Court advertised and opened bids but did not select a lowest and/or best bid. Multiple vendors were used for the purchase of asphalt that exceeded \$20,000 in fiscal year 2019 and several bids were received but the fiscal court minutes do not indicate that a bid was selected by the fiscal court. Also, several bids were received and used for various projects and items but they were not noted in the fiscal court minutes.

The fiscal court lacked internal controls to ensure that the bid process was followed properly. The fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value of services or products provided.

KRS 178.140(2) states "[t]he contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county."

Furthermore, the Floyd County Fiscal Court's Administration Code states, "Any expenditure or contract 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) shall be subject to competitive bidding" and "the County Judge shall open all bids publicly at the time and place stated in the advertisements and shall select the lowest and/or best bid by qualified bidder to be recommended to the fiscal court for the approval."

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Floyd County Fiscal Court Was Not In Compliance With Bid Laws And Failed To Implement Adequate Internal Controls Over The Bid Process (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The first half of this year was previous administration, along with an inexperienced finance officer.

This is a confusing law, whereas the DLG states one thing and the auditor's office states another. DLG stating the opinion that each project stands on its own and whereas the auditor's opinion that no vendor can be paid over \$20,000 throughout the fiscal year unless a bid is received.

We had a decision from the county attorney and the fiscal court now follows that policy which mirrors the state auditor's opinion.

Auditor's Reply: The issue isn't with the county failing to properly solicit bids for like type items or projects that exceed the bid threshold, the issue is that the fiscal court failed to award the lowest or best bid to any one particular vendor based on the bids submitted. Both the statute and the county's administrative code state that the bid must be awarded to the lowest or best bid received. The fiscal court cannot accept all bids to utilize various vendors throughout the period.

2019-005 The Floyd County Jailer Lacks Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts

This is a repeat finding and was included in the prior year audit report as finding 2018-001. The jailer lacks internal controls over receipts and disbursements for the jail inmate and commissary accounts. There were no receipt or disbursement ledgers, bank records were not reconciled to a ledger cash balance, and three disbursements tested did not include itemized detailed invoices. Had the jailer designed and implemented proper internal controls, recording errors would have been detected sooner and corrected. In addition, we found no evidence of effective oversight by the jailer over the financial reporting process.

The jailer has not structured his office to provide sufficient oversight of the financial reporting process. Without internal controls in place, there is no way to know that the financial information is accurate. Internal controls should be implemented and duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. By not segregating these duties, there is an increased risk of misappropriation of assets either by undetected error or fraud occurring. By failing to maintain adequate internal controls, the jailer is increasing the risk of paying for goods and services not provided to the jail or for items that are not allowable to be paid.

Internal controls and proper segregation of duties protect employees and the jailer in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive payments, prepare deposits and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers and prepare bank reconciliations and monthly reports. Good internal controls are necessary in the reconciliation process to ensure that all activity that takes place in the bank accounts is appropriately documented and lowers the risk of misappropriation of receipts and disbursements. It is also important to ensure that detailed invoices are maintained to document purchases.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The Floyd County Jailer Lacks Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts (Continued)

We recommend the jailer implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the jailer could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Further, the jailer could require dual signatures on all checks, with one signature being the jailer's. Also, the jailer should ensure proper documentation is kept for invoices that includes detailed itemized invoices.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This has been addressed, the Jailer has hired a new Commissary Clerk and will be corrected.

2019-006 The Floyd County Jailer Did Not Maintain Daily Checkout Sheets

During the audit, we noted funds collected at the jail were not being documented on daily checkout sheets. The jailer did not seek advice from the Department for Local Government regarding the proper accounting procedures for daily collections. We were not able to acquire daily deposit documentation for the testing dates that were chosen. By not maintaining checkout sheets on a daily basis, the jailer is increasing the opportunity for the misappropriation or theft of receipts to go unnoticed.

Daily deposits are required by the minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210.

We recommend receipts collected be deposited on a daily basis as prescribed by the state local finance officer pursuant to KRS 68.210.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This has been addressed, as previously stated the Jailer has hired a new Commissary Clerk and has been doing daily deposits.

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

FLOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
FLOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Floyd 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