

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

**For The Year Ended  
June 30, 2020**



**MIKE HARMON  
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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, 2020, 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.



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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 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, 2020, 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, 2020, 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 and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

To the People of Kentucky  
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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 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 Questioned Costs included herein, which discusses the following report findings:

- 2020-001 The Floyd County Fiscal Court Did Not Prepare A Timely Or Accurate Schedule Of Expenditures Of Federal Awards
- 2020-002 The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process
- 2020-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report
- 2020-004 The Floyd County Jailer Does Not Have Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts
- 2020-005 The Floyd County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

February 18, 2022

**FLOYD COUNTY OFFICIALS****For The Year Ended June 30, 2020****Fiscal Court Members:**

Robbie Williams	County Judge/Executive
Mark Crider	Magistrate
George Ousley	Magistrate
Mike Tackett	Magistrate
Ronnie Akers	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	Chief Financial Officer



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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,374,716	\$	\$
In Lieu Tax Payments	34,401		
Excess Fees	103,022		
Licenses and Permits	30,985		
Intergovernmental	1,089,731	2,935,026	649,732
Charges for Services	2,190,184		1,775
Miscellaneous	311,850		35,226
Interest	9,528	5,190	1,068
Total Receipts	<u>8,144,417</u>	<u>2,940,216</u>	<u>687,801</u>
<b>DISBURSEMENTS</b>			
General Government	2,046,703		
Protection to Persons and Property	299,279		1,760,595
General Health and Sanitation	2,013,465		
Social Services	429,775		
Recreation and Culture			
Roads		2,806,066	
Road Facilities			
Debt Service	158,393	234,839	
Administration	709,500	388,258	393,653
Total Disbursements	<u>5,657,115</u>	<u>3,429,163</u>	<u>2,154,248</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,487,302</u>	<u>(488,947)</u>	<u>(1,466,447)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Change in Payroll Revolving Account	672		
Transfers From Other Funds		901,000	1,600,000
Transfers To Other Funds	(2,900,000)	(287,600)	
Total Other Adjustments to Cash (Uses)	<u>(2,899,328)</u>	<u>613,400</u>	<u>1,600,000</u>
Net Change in Fund Balance	(412,026)	124,453	133,553
Fund Balance - Beginning	<u>1,827,412</u>	<u>312,643</u>	<u>194,783</u>
Fund Balance - Ending	<u>\$ 1,415,386</u>	<u>\$ 437,096</u>	<u>\$ 328,336</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,424,376	\$ 438,163	\$ 342,903
Payroll Revolving Account Reconciled Balance	30,463		
Less: Outstanding Checks	(39,453)	(1,067)	(14,567)
Fund Balance - Ending	<u>\$ 1,415,386</u>	<u>\$ 437,096</u>	<u>\$ 328,336</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, 2020**  
**(Continued)**

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>State Grants Fund</b>	<b>Federal Grants Fund</b>	<b>Federal Disaster Fund</b>	<b>Revolving Loan Fund</b>	<b>E-911 Fund</b>	<b>Construction Fund</b>
\$ 107,217	\$	\$	\$	\$	\$ 146,064	\$
1,266,106						
73,029					60,303	
13,758					91,073	
11,677			1,342	187	880	21,110
1,471,787			1,342	187	298,320	21,110
3,750						
85,244					222,129	
107,209						
1,157,222						
			323,732			
179,571					3,759	
1,532,996			323,732		225,888	
(61,209)			(322,390)	187	72,432	21,110
500,000			586,600			
(400,000)						
100,000			586,600			
38,791			264,210	187	72,432	21,110
67,652	13,534	91	168,220	15,791	73,727	1,514,802
\$ 106,443	\$ 13,534	\$ 91	\$ 432,430	\$ 15,978	\$ 146,159	\$ 1,535,912
\$ 583,912	\$ 13,534	\$ 91	\$ 455,356	\$ 15,978	\$ 148,122	\$ 1,535,912
(477,469)			(22,926)		(1,963)	
\$ 106,443	\$ 13,534	\$ 91	\$ 432,430	\$ 15,978	\$ 146,159	\$ 1,535,912

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, 2020**  
**(Continued)**

	<b>Unbudgeted Funds</b>		
	<b>Public Properties Corporation Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 4,627,997
In Lieu Tax Payments			34,401
Excess Fees			103,022
Licenses and Permits			30,985
Intergovernmental	614,495		6,555,090
Charges for Services			2,325,291
Miscellaneous		108,909	560,816
Interest			50,982
Total Receipts	614,495	108,909	14,288,584
<b>DISBURSEMENTS</b>			
General Government			2,050,453
Protection to Persons and Property			2,367,247
General Health and Sanitation			2,120,674
Social Services			429,775
Recreation and Culture		105,320	1,262,542
Roads			2,806,066
Road Facilities			323,732
Debt Service	614,495		1,007,727
Administration			1,674,741
Total Disbursements	614,495	105,320	14,042,957
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		3,589	245,627
<b>Other Adjustments to Cash (Uses)</b>			
Change in Payroll Revolving Account			672
Transfers From Other Funds			3,587,600
Transfers To Other Funds			(3,587,600)
Total Other Adjustments to Cash (Uses)			672
Net Change in Fund Balance		3,589	246,299
Fund Balance - Beginning	29,815	56,901	4,275,371
Fund Balance - Ending	\$ 29,815	\$ 60,490	\$ 4,521,670
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 29,815	\$ 60,490	\$ 5,048,652
Payroll Revolving Account Reconciled Balance			30,463
Less: Outstanding Checks			(557,445)
Fund Balance - Ending	\$ 29,815	\$ 60,490	\$ 4,521,670

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

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TO THE FINANCIAL STATEMENT**

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**FLOYD COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**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 no longer are 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, 2020**  
**(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.

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

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

**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, 2020**  
**(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, 2020**  
**(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 federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. On June 30, 2020, 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      \$879,298

**B. Deposits - Bank 2**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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.

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 2. Deposits (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 government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. On June 30, 2020, 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 \$50,873

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Road Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 801,000	\$	\$ 100,000	\$ 901,000
Jail Fund	1,300,000		300,000	1,600,000
LGEA Fund	500,000			500,000
Federal Disaster Fund	299,000	287,600		586,600
Total Transfers Out	<u>\$ 2,900,000</u>	<u>\$ 287,600</u>	<u>\$ 400,000</u>	<u>\$ 3,587,600</u>

Reason for transfers:

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

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial funds:

**Jail Inmate Fund** - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$11,478.

**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, 2020 was \$35.

**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, 2020 was \$1,088,137.

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(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, 2020, the loan was paid in full.

**2. Caterpillar - Excavator - District 4**

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, 2020, the principal balance outstanding remaining is \$31,481. Debt service requirements for the remaining years are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 17,726	\$ 925
2022	<u>13,755</u>	<u>226</u>
Totals	<u>\$ 31,481</u>	<u>\$ 1,151</u>

**3. Caterpillar - Excavator - District 3**

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, 2020, the principal balance outstanding remaining is \$12,872. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 11,865	\$ 261
2022	<u>1,007</u>	<u>3</u>
Totals	<u>\$ 12,872</u>	<u>\$ 264</u>

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**B. Other Debt**

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

In 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. 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, 2020, the principal balance on these bonds was \$3,845,000. Debt service requirements for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 500,000	\$ 116,645
2022	515,000	101,420
2023	530,000	85,745
2024	545,000	69,348
2025	565,000	51,577
2026-2027	1,190,000	42,907
Totals	<u>\$ 3,845,000</u>	<u>\$ 467,642</u>

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**B. Other Debt (Continued)**

**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 of this 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 this 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 this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

The principal amount is due December 1 and June 1 of each year. As of June 30, 2020, the principal balance was \$1,690,000. Payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 80,000	\$ 78,635
2022	85,000	75,035
2023	90,000	71,210
2024	90,000	67,160
2025	95,000	63,020
2026-2030	550,000	244,300
2031-2035	700,000	101,990
Totals	<u>\$ 1,690,000</u>	<u>\$ 701,350</u>

**3. KACO - Asphalt Bond**

In 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.

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**B. Other Debt (Continued)**

**3. KACO - Asphalt Bond (Continued)**

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 this 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 this 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 this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof.

As of June 30, 2020, the principal balance on the lease was \$1,910,000. Debt service requirements for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 115,000	\$ 73,157
2022	120,000	68,169
2023	125,000	62,969
2024	130,000	57,557
2025	135,000	51,931
2026-2030	760,000	168,257
2031-2033	525,000	29,872
Totals	<u>\$ 1,910,000</u>	<u>\$ 511,912</u>

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

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 91,211	\$	\$ 46,858	\$ 44,353	\$ 29,591
General Obligation Notes	6,095,000		560,000	5,535,000	580,000
Revenue Bonds	2,020,000		110,000	1,910,000	115,000
Total Long-term Debt	<u>\$ 8,206,211</u>	<u>\$ 0</u>	<u>\$ 716,858</u>	<u>\$ 7,489,353</u>	<u>\$ 724,591</u>

**FLOYD COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(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
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	795,000	166,528		
2026-2030	2,500,000	455,464		
2031-2035	1,225,000	131,862		
Totals	<u>\$ 7,445,000</u>	<u>\$ 1,680,904</u>	<u>\$ 44,353</u>	<u>\$ 1,415</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 2018 was \$523,093, FY 2019 was \$587,184, and FY 2020 was \$711,258.

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, 2020**  
**(Continued)**

**Note 6. Employee Retirement System (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 24.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<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.

Benefits are covered under KRS 78.5536 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3

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 78.5536 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, 2020**  
**(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, 2020**  
**(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 501 High Street, 2nd Floor, Frankfort, KY 40601, 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, 2020, 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. Payroll Revolving Account**

The reconciled balance of the payroll revolving account as of June 30, 2020, was added to the general fund cash balance for financial reporting purposes.

**Note 11. 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, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

**Note 12. 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**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 13. Garth Landfill**

The Garth Landfill quit accepting garbage in the mid 1990's. The Floyd County Fiscal Court must comply with established state and federal landfill closure and post closure procedures and must perform maintenance and monitoring procedures at the site for thirty years after closure. During the fiscal year ended June 30, 2020, the county incurred \$42,830 for monitoring, supplies, equipment and testing associated with the closing of Garth Landfill.

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,723,300	\$ 3,723,300	\$ 4,374,716	\$ 651,416
In Lieu Tax Payments	6,000	6,000	34,401	28,401
Excess Fees	89,000	89,000	103,022	14,022
Licenses and Permits	28,000	28,000	30,985	2,985
Intergovernmental	917,550	917,550	1,089,731	172,181
Charges for Services	2,290,000	2,290,000	2,190,184	(99,816)
Miscellaneous	826,351	826,351	311,850	(514,501)
Interest	7,500	7,500	9,528	2,028
Total Receipts	7,887,701	7,887,701	8,144,417	256,716
<b>DISBURSEMENTS</b>				
General Government	2,408,018	2,596,618	2,046,703	549,915
Protection to Persons and Property	469,890	371,890	299,279	72,611
General Health and Sanitation	1,976,775	2,042,775	2,013,465	29,310
Social Services	395,000	485,000	429,775	55,225
Airports	3,500	3,500		3,500
Debt Service	775,495	161,000	158,393	2,607
Administration	972,622	935,517	709,500	226,017
Total Disbursements	7,001,300	6,596,300	5,657,115	939,185
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	886,401	1,291,401	2,487,302	1,195,901
<b>Other Adjustments to Cash (Uses)</b>				
Borrowed Money	10,000	10,000		
Transfers To Other Funds	(2,250,000)	(2,250,000)	(2,900,000)	(650,000)
Total Other Adjustments to Cash (Uses)	(2,240,000)	(2,240,000)	(2,900,000)	(650,000)
Net Change in Fund Balance	(1,353,599)	(948,599)	(412,698)	535,901
Fund Balance - Beginning	1,353,599	1,353,599	1,797,621	444,022
Fund Balance - Ending	\$ 0	\$ 405,000	\$ 1,384,923	\$ 979,923

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,161,200	\$ 2,161,200	\$ 2,935,026	\$ 773,826
Miscellaneous	1,000	1,000		(1,000)
Interest	4,000	4,000	5,190	1,190
Total Receipts	2,166,200	2,166,200	2,940,216	774,016
<b>DISBURSEMENTS</b>				
Roads	3,157,800	3,313,300	2,806,066	507,234
Debt Service	193,000	193,000	234,839	(41,839)
Administration	549,200	493,700	388,258	105,442
Total Disbursements	3,900,000	4,000,000	3,429,163	570,837
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,733,800)	(1,833,800)	(488,947)	1,344,853
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,400,000	1,400,000	901,000	(499,000)
Transfers To Other Funds			(287,600)	(287,600)
Total Other Adjustments to Cash (Uses)	1,400,000	1,400,000	613,400	(786,600)
Net Change in Fund Balance	(333,800)	(433,800)	124,453	558,253
Fund Balance - Beginning	333,800	333,800	312,643	(21,157)
Fund Balance - Ending	\$ 0	\$ (100,000)	\$ 437,096	\$ 537,096



**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 575,000	\$ 575,000	\$ 649,732	\$ 74,732
Charges for Services	21,000	21,000	1,775	(19,225)
Miscellaneous	64,000	64,000	35,226	(28,774)
Interest	500	500	1,068	568
Total Receipts	660,500	660,500	687,801	27,301
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,846,000	1,899,300	1,760,595	138,705
Administration	554,000	505,700	393,653	112,047
Total Disbursements	2,400,000	2,405,000	2,154,248	250,752
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,739,500)	(1,744,500)	(1,466,447)	278,053
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,600,000	1,600,000	1,600,000	
Total Other Adjustments to Cash (Uses)	1,600,000	1,600,000	1,600,000	
Net Change in Fund Balance	(139,500)	(144,500)	133,553	278,053
Fund Balance - Beginning	139,500	139,500	194,783	55,283
Fund Balance - Ending	\$ 0	\$ (5,000)	\$ 328,336	\$ 333,336

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 100,000	\$ 100,000	\$ 107,217	\$ 7,217
Intergovernmental	1,781,000	1,781,000	1,266,106	(514,894)
Charges for Services	60,000	60,000	73,029	13,029
Miscellaneous	32,000	32,000	13,758	(18,242)
Interest	10,000	10,000	11,677	1,677
Total Receipts	1,983,000	1,983,000	1,471,787	(511,213)
<b>DISBURSEMENTS</b>				
General Government	50,000	4,000	3,750	250
Protection to Persons and Property	138,370	145,670	85,244	60,426
General Health and Sanitation	138,000	114,000	107,209	6,791
Recreation and Culture	1,044,000	1,372,000	1,157,222	214,778
Capital Projects	109,000	60,000		60,000
Administration	366,630	250,330	179,571	70,759
Total Disbursements	1,846,000	1,946,000	1,532,996	413,004
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	137,000	37,000	(61,209)	(98,209)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			500,000	500,000
Transfers To Other Funds	(750,000)	(750,000)	(400,000)	350,000
Total Other Adjustments to Cash (Uses)	(750,000)	(750,000)	100,000	850,000
Net Change in Fund Balance	(613,000)	(713,000)	38,791	751,791
Fund Balance - Beginning	613,000	613,000	67,652	(545,348)
Fund Balance - Ending	\$ 0	\$ (100,000)	\$ 106,443	\$ 206,443

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>STATE GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 18,700	\$ 18,700	\$	\$ (18,700)
Total Receipts	18,700	18,700		(18,700)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	24,700	24,700		24,700
Total Disbursements	24,700	24,700		24,700
Net Change in Fund Balance	(6,000)	(6,000)		6,000
Fund Balance - Beginning	6,000	6,000	13,534	7,534
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,534	\$ 13,534

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Total Receipts	<u>10,000</u>	<u>10,000</u>		<u>(10,000)</u>
<b>DISBURSEMENTS</b>				
General Government	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Total Disbursements	<u>10,000</u>	<u>10,000</u>		<u>10,000</u>
Net Change in Fund Balance				
Fund Balance - Beginning			91	91
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, 2020**  
**(Continued)**

<b>FEDERAL DISASTER FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 330,000	\$ 330,000	\$	\$ (330,000)
Interest			1,342	1,342
Total Receipts	330,000	330,000	1,342	(328,658)
<b>DISBURSEMENTS</b>				
Road Facilities	320,000	500,000	323,732	176,268
Administration	10,000	30,000		30,000
Total Disbursements	330,000	530,000	323,732	206,268
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(200,000)	(322,390)	(122,390)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			586,600	586,600
Total Other Adjustments to Cash (Uses)			586,600	586,600
Net Change in Fund Balance		(200,000)	264,210	464,210
Fund Balance - Beginning			168,220	168,220
Fund Balance - Ending	\$ 0	\$ 0	\$ 432,430	\$ 632,430

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>REVOLVING LOAN FUND</b>			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Interest	\$	\$	\$ 187
Total Receipts			187
<b>DISBURSEMENTS</b>			
Capital Projects	16,000	16,000	16,000
Total Disbursements	16,000	16,000	16,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(16,000)	(16,000)	187
Net Change in Fund Balance	(16,000)	(16,000)	187
Fund Balance - Beginning	16,000	16,000	15,791
Fund Balance - Ending	\$ 0	\$ 0	\$ 15,978

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>E-911 FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 172,500	\$ 172,500	\$ 146,064	\$ (26,436)
Charges for Services	25,000	25,000	60,303	35,303
Miscellaneous	100,000	100,000	91,073	(8,927)
Interest	200	200	880	680
Total Receipts	<u>297,700</u>	<u>297,700</u>	<u>298,320</u>	<u>620</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	343,600	346,600	222,129	124,471
Administration	<u>23,400</u>	<u>20,400</u>	<u>3,759</u>	<u>16,641</u>
Total Disbursements	<u>367,000</u>	<u>367,000</u>	<u>225,888</u>	<u>141,112</u>
Net Change in Fund Balance	(69,300)	(69,300)	72,432	141,732
Fund Balance - Beginning	<u>69,300</u>	<u>69,300</u>	<u>73,727</u>	<u>4,427</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,159</u>	<u>\$ 146,159</u>

**FLOYD COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

<b>CONSTRUCTION FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 100,000	\$ 100,000	\$	\$ (100,000)
Interest			21,110	21,110
Total Receipts	100,000	100,000	21,110	(78,890)
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,603,000	1,603,000		1,603,000
Administration	2,000	2,000		2,000
Total Disbursements	1,605,000	1,605,000		1,605,000
Net Change in Fund Balance	(1,505,000)	(1,505,000)	21,110	1,526,110
Fund Balance - Beginning	1,505,000	1,505,000	1,514,802	9,802
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,535,912	\$ 1,535,912



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

**June 30, 2020**

**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**

Road fund, debt service line-item, exceeded budgeted appropriations by \$41,839.

**Note 3. Reconciliation of the General Fund**

Other Adjustments To Cash - Budgetary Basis	\$ (2,900,000)
To adjust for change in payroll revolving account	<u>672</u>
Total Other Adjustments to Cash - Regulatory Basis	<u><u>\$ (2,899,328)</u></u>
Beginning Fund Balance - Budgetary Basis	\$ 1,797,621
To adjust for payroll revolving account balance	<u>29,791</u>
Total Beginning Fund Balance - Regulatory Basis	<u><u>\$ 1,827,412</u></u>
Ending Fund Balance - Budgetary Basis	\$ 1,384,923
To adjust for payroll revolving account balance	<u>30,463</u>
Total Ending Fund Balance - Regulatory Basis	<u><u>\$ 1,415,386</u></u>

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**FLOYD COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2020**

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**FLOYD COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Treasury</u></b>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
COVID-19 - Coronavirus Relief Fund	21.019	C130	\$	\$ 1,097,318
<b>Total U.S. Department of Treasury</b>				<b>1,097,318</b>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR4358	\$	\$ 251,639
<b>Total U.S. Department of Homeland Security</b>				<b>251,639</b>
<b><u>U. S. Department of Justice</u></b>				
<i>Direct Program:</i>				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		\$	\$ 137,229
<b>Total U.S. Department of Justice</b>				<b>137,229</b>
<b><u>U. S. Department of Agriculture</u></b>				
<i>Passed-Through Kentucky Department of Agriculture:</i>				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants - Sheriff	10.766		\$	\$ 21,800
Community Facilities Loans and Grants - Senior Citizens	10.766			24,275
<b>Total U.S. Department of Agriculture</b>				<b>46,075</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 0</b>	<b>\$ 1,532,261</b>

The accompanying notes are an integral part of this schedule.

**FLOYD COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2020**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Floyd County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Floyd County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Floyd County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Floyd County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

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
Vehicles	3,877,568			3,877,568
Equipment	772,964			772,964
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, 2020**

**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, 2020, 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 February 18, 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) as a basis for designing 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 Questioned Costs as items 2020-001, 2020-002, and 2020-003 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)

**Internal Control Over Financial Reporting (Continued)**

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-004 to be a significant deficiency.

**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 financial statement. 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 Questioned Costs as items 2020-001, 2020-002, and 2020-003.

**Views of Responsible Official 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 Questioned Costs. 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

February 18, 2022

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

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Floyd County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Floyd County Fiscal Court's major federal programs for the year ended June 30, 2020. The Floyd County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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



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

**Basis for Adverse Opinion on CFDA 21.019 COVID-19 - Coronavirus Relief Fund**

As described in the accompanying Schedule of Findings and Questioned Costs, the Floyd County Fiscal Court did not comply with requirements regarding CFDA 21.019 COVID-19 - Coronavirus Relief Fund as described in finding 2020-005 for activities allowed/unallowed, allowable costs, and period of performance of federal funds. Compliance with such requirements is necessary, in our opinion, for the Floyd County Fiscal Court to comply with the requirements applicable to that program.

**Adverse Opinion on CFDA 21.019 COVID-19 - Coronavirus Relief Fund**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Floyd County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 COVID-19 - Coronavirus Relief Fund for the year ended June 30, 2020.

**Other Matters**

The results of our auditing procedures disclosed no other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

The Floyd County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Floyd County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

**Report on Internal Control over Compliance (Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2020-005 to be a material weakness.

The Floyd County Fiscal Court's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Floyd County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

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Mike Harmon  
Auditor of Public Accounts

February 18, 2022

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

**For The Year Ended June 30, 2020**

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

**For The Year Ended June 30, 2020**

**Section I: Summary of Auditor's Results**

***Financial Statement***

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

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 - Coronavirus Relief Fund

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

**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: 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 2019-001. The county did not prepare a Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2020 until requested by auditors. The provided schedule included \$739,578 in fiscal year 2021 federal expenditures and \$21,800 in fiscal year 2019 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 that the SEFA is prepared timely and is reported accurately.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: Similar to the findings in the 2019 audit report, this is a very simple report to prepare and if audits had been prepared sequentially and the fiscal court given an opportunity to address findings this would have never been a reportable finding.*

**Auditor’s Reply:** The fiscal court should have adequate controls in place to ensure the Schedule of Expenditures of Federal Awards (SEFA) is prepared timely. We, the Auditor of Public Accounts, are independent auditors, and cannot be part the county’s internal control system. As discussed with the county judge/executive, we have worked hard to get the county caught up on their audits, due to the CPA, which the county hired, not releasing the 2016, 2017, and 2018 audit reports until 2021. This delay in the 2016 through 2018 audits did not allow us to start our 2019 and 2020 audits as soon as we would have liked and therefore the audits had to be done back-to-back for the county to be caught up on its audits.



**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

**2020-002 The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process**

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This is a repeat finding and was included in the prior year audit report as finding 2019-002. 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 \$17,500,000 and the amount reported on the fourth quarter was for \$20,100,000, for a difference of \$2,600,000.

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: Similar to the finding in the 2019 audit report, the Treasurer’s books are correct and the correct information was presented to the fiscal court. The quarterly report that that the fiscal court prepares for the Department for Local Government had a typo on the report.*

**Auditor’s Reply:** As stated in the finding above, the county is under the supervision of the state local finance officer, the county should have controls in place to ensure amounts reported on the fourth quarter report are accurate and complete. We, as the Auditor of Public Accounts, are independent auditors, and cannot be a part of the county’s internal control system. Since the report is relied upon by different agencies and the fiscal court it needs to be accurate.

**2020-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report**

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This is a repeat finding and was included in the prior year audit report as finding 2019-003. The Floyd County Fiscal Court did not report the correct amount of debt on the liabilities section of the fourth quarter financial report. Several debts were accounted for twice, old debts still disclosed, and all debts were not the correct amounts 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.

**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-003 The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report (Continued)

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Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting. By not including the outstanding debt balances, the Floyd County Fiscal Court's Fourth Quarter Financial Report was materially misstated. 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 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: Similar to the finding in the 2019 audit report a quarterly report to the Department for Local Government did contain typos. Again if the audits were prepared sequentially and the Fiscal Court given proper opportunity to respond these minor deficiencies would never had occurred.*

Auditor's Reply: As started in the finding above, the county is under the supervision of the state local finance officer and the uniform system of accounts, set forth by the state local finance officer, requires all county debt be reflected properly on the quarterly financial statements. The county did not have proper controls in place to ensure the report was accurate. We, the Auditor of Public Accounts, are independent auditors and cannot be a part of the county's internal control system. As discussed with the county judge/executive, we have worked hard to get the county caught up on their audits, due to the CPA, which the county hired, not releasing the 2016, 2017, and 2018 audit reports until 2021. This delay in the 2016 through 2018 audits did not allow us to start our 2019 and 2020 audits as soon as we would have liked and therefore the audits had to be done back-to-back for the county to be caught up on their audits.

2020-004 The Floyd County Jailer Does Not Have Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts

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This is a repeat finding and was included in the prior year audit report as finding 2019-005. The jailer does not have 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 errors 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.

**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2020-004 The Floyd County Jailer Does Not Have Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts (Continued)

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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.

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:

*County Jailer's Response: These issues will be addressed more closely in the future but the errors being reported are less than \$1.00.*

Auditor's Reply: The jailer has one bookkeeper who collects receipts, posts to the inmate's ledger, and posts to the commissary receipts ledger, writes checks, opens the bank statements, reconciles the inmate account and the commissary account, and prepares the financial statement. The jailer does not oversee any of these functions. As stated in our finding, we recommend the jailer implement internal controls and segregate duties as much as possible. The audit finding did not address a \$1.00 error.

**Section III: Federal Award Findings And Questioned Costs**

2020-005 The Floyd County Fiscal Court Submitted Ineligible Expenses for Reimbursement From The Coronavirus Relief Fund

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*Federal Program: CFDA 21.109 COVID-19 - Coronavirus Relief Fund*

*Award Number and Year: C130 2020*

*Name of Federal Agency and Pass-Through Agency: U.S. Department of Treasury and passed-through Kentucky Department for Local Government*

*Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance*

*Type of Finding: Material Weakness*

*Amount of Questioned Costs: \$47,564*

*Opinion: Adverse*

**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs (Continued)**

2020-005 The Floyd County Fiscal Court Submitted Ineligible Expenses for Reimbursement From The Coronavirus Relief Fund (Continued)

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The Floyd County Fiscal Court submitted payroll expenses and matching retirement incurred prior to March 1, 2020, for reimbursement from the Coronavirus Relief Fund (the Fund) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). The ineligible expense was for the jail's payroll and matching retirement. The entire payroll for dates February 13-22, 2020, paid March 5, 2020 and the corresponding matching retirement paid March 6, 2020 for those dates along with payroll for February 27-29, 2020, paid March 19, 2020, and corresponding matching retirement paid April 7, 2020, was included in the reimbursement request. The payroll submission causing questioned costs ran from February 13, 2020 through February 29, 2020, which is a pay period outside the CRF's prescribed period of performance.

Questioned costs were computed based on the cost of the jail's payroll and matching retirement paid for the period of February 15, 2020 through February 29, 2020. The amount of the jail's payroll and matching retirement for the pay period in February being questioned is \$47,564.

The county thought reimbursement dates were based upon the day that the cost was expended instead of incurred. This caused the county to submit reimbursement requests for costs that were incurred before the period of performance of March 1.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Fund and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020, per section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

Additionally, 2 CFR 200.303 states: "The non-Federal entity must: (a) [e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

We recommend the Floyd County Fiscal Court establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. We also recommend the Floyd County Fiscal Court contact the Department for Local Government for guidance on how to resolve this issue.

**FLOYD COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2020**  
**(Continued)**

**Section III: Federal Award Findings And Questioned Costs (Continued)**

2020-005    The Floyd County Fiscal Court Submitted Ineligible Expenses for Reimbursement From The  
Coronavirus Relief Fund (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Fiscal Court does not agree that this a reportable finding. The reimbursement requirements review payroll from March 1, 2020 to September 30, 2020. The Fiscal court submitted the payroll records for this time period showing reimbursable payroll of \$742,781. The Corona virus fund would only allow us a total reimbursement of \$547,088. The audit finding suggested that the payroll submitted for the first payroll that was reported in March 2020 fell outside of the reimbursement range because it was earned in February of 2020. After removing this particular pay period there was still more than adequate payroll for reimbursement from the Department for Local Government. Should not have been a reportable finding.*

Auditor's Reply: The audited Coronavirus Relief Fund reimbursement requests for fiscal year 2020 and the reimbursement approved by the Department for Local Government included incurred expense dates that were outside the period of performance of March 1, 2020 through June 30, 2020 for our audit period. The county would need to contact the Department for Local Government to remove or substitute any amounts that were included on the reimbursement for our audit period.

**Section IV: Summary Schedule of Prior Audit Findings**

None.

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

**FLOYD COUNTY FISCAL COURT**

**For The Year Ended June 30, 2020**

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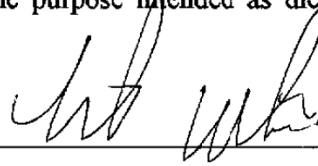
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

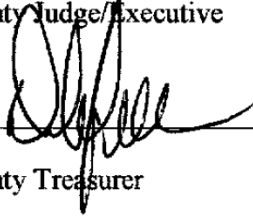
FLOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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