

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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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

The enclosed report prepared by Patrick & Associates, LLC presents the financial statement of Floyd County, Kentucky, for the year ended June 30, 2021.

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

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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Members of the Floyd County Fiscal Court

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, 2021, 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, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Floyd County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

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

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Other Matters (Continued)

Supplementary and Other Information (Continued)

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

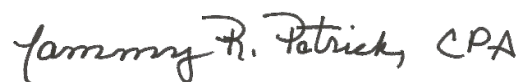
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023, 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 finding:

- 2021-001 The Floyd County Jailer Lacks Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliation Processes Of The Jail Commissary
- 2021-002 The Floyd County Jailer Did Not Have Adequate Controls Over Jail Commissary Disbursements
- 2021-003 The Floyd County Jailer Failed To Properly Reconcile And Account For The Inmate Account And Inmate Balances
- 2021-004 The Floyd County Fiscal Court Failed To Prepare The Fourth Quarter Financial Report And Schedule Of Expenditure Of Federal Awards In Accordance With Kentucky Revised Statutes (KRS) And Department For Local Government Requirements
- 2021-005 The Floyd County Fiscal Court Did Not Have Effective Controls, Review Procedures, And Oversight For The Budget Process
- 2021-006 The Floyd County Fiscal Court Did Not Have Adequate Controls In Place To Accurately Report Amounts For Debt On The Fourth Quarter Financial Report
- 2021-007 The Floyd County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated
- 2021-008 The Floyd County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget
- 2021-009 The Floyd County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reporting Processes

Respectfully submitted,



Tammy R. Patrick, CPA
 Patrick & Associates, LLC

June 2, 2023

FLOYD COUNTY OFFICIALS**For The Year Ended June 30, 2021****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
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FLOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,206,701	\$	\$
In Lieu Tax Payments	35,108		
Excess Fees	192,651		
Licenses and Permits	36,635		
Intergovernmental	630,412	2,967,073	447,355
Charges for Services	2,176,399		75
Miscellaneous	77,372		34,421
Interest	3,375	2,041	510
Total Receipts	<u>7,358,653</u>	<u>2,969,114</u>	<u>482,361</u>
DISBURSEMENTS			
Current:			
General Government	2,253,047		
Protection to Persons and Property	159,521		1,683,358
General Health and Sanitation	2,102,600		
Social Services	312,180		
Recreation and Culture	1,420		
Roads		3,137,667	
Road Facilities			
Debt Service	1,674,622	219,096	
Administration	696,510	362,745	444,560
Total Disbursements	<u>7,199,900</u>	<u>3,719,508</u>	<u>2,127,918</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>158,753</u>	<u>(750,394)</u>	<u>(1,645,557)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	1,535,000		
Change in Payroll Revolving Account	(170)		
Transfers From Other Funds	200,000	600,000	1,450,000
Transfers To Other Funds	(2,400,000)		
Total Other Adjustments to Cash (Uses)	<u>(665,170)</u>	<u>600,000</u>	<u>1,450,000</u>
Net Change in Fund Balance	(506,417)	(150,394)	(195,557)
Fund Balance - Beginning (Restated)	1,452,580	437,095	327,002
Fund Balance - Ending	<u>\$ 946,163</u>	<u>\$ 286,701</u>	<u>\$ 131,445</u>
Composition of Fund Balance			
Bank Balance	\$ 964,272	\$ 312,907	\$ 156,788
Plus: Deposits In Transit	34		
Less: Outstanding Checks	(48,436)	(26,206)	(25,343)
Payroll Account	30,293		
Fund Balance - Ending	<u>\$ 946,163</u>	<u>\$ 286,701</u>	<u>\$ 131,445</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, 2021
(Continued)

Budgeted Funds							
Local Government Economic Assistance Fund	State Grants Fund	Federal Grants Fund	Federal Disaster Fund	Revolving Loan Fund	E-911 Fund	Water And Sewer Fund	Construction Fund
\$ 107,044	\$	\$	\$	\$	\$ 139,191	\$	\$
2,430,877			600			27,322	
97,634							
7,400					137,725		
4,666			38	80	831		2,681
<u>2,647,621</u>			<u>638</u>	<u>80</u>	<u>277,747</u>	<u>27,322</u>	<u>2,681</u>
79,457					213,123		
96,191						27,322	
1,063,982							
			1,367,236				
242,330					13,138		
<u>1,481,960</u>			<u>1,367,236</u>		<u>226,261</u>	<u>27,322</u>	
1,165,661			(1,366,598)	80	51,486		2,681
300,000			1,250,000				
(1,400,000)							
(1,100,000)			1,250,000				
65,661			(116,598)	80	51,486		2,681
80,220	13,534	91	432,612	15,978	146,160	3	1,535,914
<u>\$ 145,881</u>	<u>\$ 13,534</u>	<u>\$ 91</u>	<u>\$ 316,014</u>	<u>\$ 16,058</u>	<u>\$ 197,646</u>	<u>\$ 3</u>	<u>\$ 1,538,595</u>
\$ 151,956	\$ 13,534	\$ 91	\$ 316,864	\$ 16,058	\$ 201,635	\$ 3	\$ 1,538,595
(6,075)			(850)		(3,989)		
<u>\$ 145,881</u>	<u>\$ 13,534</u>	<u>\$ 91</u>	<u>\$ 316,014</u>	<u>\$ 16,058</u>	<u>\$ 197,646</u>	<u>\$ 3</u>	<u>\$ 1,538,595</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, 2021
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 4,452,936
In Lieu Tax Payments			35,108
Excess Fees			192,651
Licenses and Permits			36,635
Intergovernmental	617,145		7,120,784
Charges for Services			2,274,108
Miscellaneous		131,294	388,212
Interest		138	14,360
Total Receipts	<u>617,145</u>	<u>131,432</u>	<u>14,514,794</u>
DISBURSEMENTS			
Current:			
General Government			2,253,047
Protection to Persons and Property			2,135,459
General Health and Sanitation			2,226,113
Social Services			312,180
Recreation and Culture		109,541	1,174,943
Roads			3,137,667
Road Facilities			1,367,236
Debt Service	616,145		2,509,863
Administration	1,000		1,760,283
Total Disbursements	<u>617,145</u>	<u>109,541</u>	<u>16,876,791</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>21,891</u>	<u>(2,361,997)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			1,535,000
Payroll Revolving Account			(170)
Transfers From Other Funds			3,800,000
Transfers To Other Funds			(3,800,000)
Total Other Adjustments to Cash (Uses)			<u>1,534,830</u>
Net Change in Fund Balance		21,891	(827,167)
Fund Balance - Beginning (Restated)	<u>29,815</u>	<u>60,490</u>	<u>4,531,494</u>
Fund Balance - Ending	<u>\$ 29,815</u>	<u>\$ 82,381</u>	<u>\$ 3,704,327</u>
Composition of Fund Balance			
Bank Balance	\$ 29,815	\$ 89,054	\$ 3,791,572
Plus: Deposits In Transit			34
Less: Outstanding Checks		(6,673)	(117,572)
Payroll Account			30,293
Ending Fund Balance	<u>\$ 29,815</u>	<u>\$ 82,381</u>	<u>\$ 3,704,327</u>

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, 2021

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, 2021
(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 grant expenses of the county. The primary source of receipts for this fund is from the state.

Federal Grants Fund - The primary purpose of this fund is to account for federal grant expenses of the county. The primary sources of receipts for this fund are federal grants.

Federal Disaster Fund - The primary purpose of this fund is for the receipt 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.

Water and Sewer Fund - The primary purpose of this fund is to account for the receipts and disbursements related to water and sewer projects.

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

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

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.

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.

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, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

The fiscal court maintained deposits of public funds with 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. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Local Government Economic Assistance Fund	Total Transfers In
General Fund	\$	\$ 200,000	\$ 200,000
Road Fund	600,000		600,000
Jail Fund	900,000	550,000	1,450,000
Local Government Economic Assistance Fund	300,000		300,000
Federal Disaster Fund	600,000	650,000	1,250,000
Total Transfers Out	<u>\$ 2,400,000</u>	<u>\$ 1,400,000</u>	<u>\$ 3,800,000</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.

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

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, 2021 was \$21,360.

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, 2021 was \$10.

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, 2021 was \$1,089,116.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 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, 2021, the principal balance outstanding remaining is \$13,755. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 13,755	\$ 226
Totals	<u>\$ 13,755</u>	<u>\$ 226</u>

2. 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, the 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, 2021, the principal balance outstanding remaining is \$1,007. Debt service requirements for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 1,007	\$ 3
Totals	<u>\$ 1,007</u>	<u>\$ 3</u>

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

Note 5. Long Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Southern Water

On April 8, 2021, the Floyd County Fiscal Court entered into an agreement with Kentucky Association of Counties (KACO) in the amount of \$1,535,000 to refinance the Kentucky Area Development Districts Financing Trust, Series 2006K originally in the amount of \$2,600,000. The Series 2006K was used to refund the First Mortgage Revenue Bond Anticipation 2004B in the amount of \$2,455,000. Terms of the agreement stipulate a 15-year repayment schedule, with biannual interest payments at a rate of 2.18 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 20 and June 30 of each year. As of June 30, 2021, the principal balance was \$1,535,000. Payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 85,000	\$ 17,160
2023	85,000	53,854
2024	85,000	52,153
2025	90,000	50,029
2026	95,000	46,503
2027-2031	555,000	158,143
2032-2035	540,000	39,778
Totals	<u>\$ 1,535,000</u>	<u>\$ 417,620</u>

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.

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

Note 5. Long Term Debt (Continued)

B. Other Debt (Continued)

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

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, 2021, the principal balance on these bonds was \$3,345,000. Debt service requirements for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 515,000	\$ 101,420
2023	530,000	85,745
2024	545,000	69,348
2025	565,000	51,577
2026	585,000	32,017
2027	605,000	10,890
Totals	<u>\$ 3,345,000</u>	<u>\$ 350,997</u>

2. Series 2017 - Asphalt

In October 2017, the county entered into a lease agreement with the Kentucky Association of Counties Finance Corporation for \$2,125,000 in order to perform various road and jail improvements. The lease is scheduled to mature in fiscal year 2032 and carry an interest rate of 3.93 percent. Semiannual interest payments are required on December 20 and June 20 of each year. In the event of default the lessor may, without any further demand or notice, take one or any combination of the following remedial steps, by appropriate court action, enforce the pledge set forth in 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, 2021, the principal balance on the lease was \$1,795,000. Debt service requirements for the remaining years are:

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

Note 5. Long Term Debt (Continued)

B. Other Debt (Continued)

2. Series 2017 - Asphalt (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 120,000	\$ 68,169
2023	125,000	62,969
2024	130,000	57,557
2025	135,000	51,931
2026	140,000	46,094
2027-3031	790,000	137,858
2032-2033	355,000	14,178
Totals	<u>\$ 1,795,000</u>	<u>\$ 438,756</u>

3. 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 Floyd County Fiscal Court entered into an agreement with Kentucky Association of Counties (KACO) in the amount of \$1,535,000 to refinance the Kentucky Area Development Districts Financing Trust, Series 2006K originally in the amount of \$2,600,000. As of June 30, 2021 this agreement was paid in full.

C. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 1,734,353	\$ 1,535,000	\$ 1,719,591	\$ 1,549,762	\$ 99,762
Other Debt	5,755,000		615,000	5,140,000	635,000
Total Long-term Debt	<u>\$ 7,489,353</u>	<u>\$ 1,535,000</u>	<u>\$ 2,334,591</u>	<u>\$ 6,689,762</u>	<u>\$ 734,762</u>

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

Note 5. Long Term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 635,000	\$ 169,589	\$ 99,762	\$ 17,389
2023	655,000	148,714	85,000	53,854
2024	675,000	126,905	85,000	52,153
2025	700,000	103,508	90,000	50,029
2026	725,000	78,111	95,000	46,503
2027-2031	1,395,000	148,748	555,000	158,143
2032-2035	355,000	14,178	540,000	39,778
Totals	<u>\$ 5,140,000</u>	<u>\$ 789,753</u>	<u>\$ 1,549,762</u>	<u>\$ 417,849</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 (Ky. Ret. Sys.). 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. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$587,184, FY 2020 was \$711,258, and FY 2021 was \$707,764.

Nonhazardous

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

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

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Note 6. Employee Retirement System (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. 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, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 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.

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

Note 7. Deferred Compensation (Continued)

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 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 a 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, 2021, 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, 2021, was \$30,293. This amount was included in 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, 2021, 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, 2021
(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, 2021, the county incurred \$13,812 for monitoring, supplies, equipment and testing associated with the closing of Garth Landfill.

Note 14. Prior Period Adjustments

The beginning fund balance of the general fund and local government economic assistance fund was increased due to voided checks by \$1,954 and \$8, respectively. Due to rounding the beginning fund balance of road fund was decreased by \$1 and the E-911 fund and construction fund was increased by \$1 and \$2, respectively. Due to errors in prior year, the beginning balance of the general fund, federal disaster fund, and water and sewer fund was increased by \$35,240, \$182, and \$3, respectively. Additionally, due to errors in prior year, the beginning balance of the jail fund and local government economic assistance fund was decreased by \$1,334 and \$26,231, respectively.

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 3,894,800	\$ 3,894,800	\$ 4,206,701	\$ 311,901
In Lieu Tax Payments	6,000	6,000	35,108	29,108
Excess Fees	104,000	104,000	192,651	88,651
Licenses and Permits	32,000	32,000	36,635	4,635
Intergovernmental	1,090,550	1,090,550	630,412	(460,138)
Charges for Services	2,180,000	2,180,000	2,176,399	(3,601)
Miscellaneous	760,351	760,351	77,372	(682,979)
Interest	8,000	8,000	3,375	(4,625)
Total Receipts	8,075,701	8,075,701	7,358,653	(717,048)
DISBURSEMENTS				
General Government	2,450,668	2,702,268	2,253,047	449,221
Protection to Persons and Property	401,890	333,090	159,521	173,569
General Health and Sanitation	2,049,300	2,119,800	2,102,600	17,200
Social Services	406,200	361,200	312,180	49,020
Recreation and Culture			1,420	(1,420)
Airports	3,500	3,500		3,500
Debt Service	787,145	140,000	1,674,622	(1,534,622)
Administration	878,597	817,442	696,510	120,932
Total Disbursements	6,977,300	6,477,300	7,199,900	(722,600)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,098,401	1,598,401	158,753	(1,439,648)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	(2,750,000)	(2,750,000)	(2,400,000)	350,000
Financing Obligation Proceeds	1,000	1,000	1,535,000	1,534,000
Total Other Adjustments to Cash (Uses)	(2,749,000)	(2,749,000)	(665,000)	2,084,000
Net Change in Fund Balance	(1,650,599)	(1,150,599)	(506,247)	644,352
Fund Balance Beginning (Restated)	1,699,599	1,699,599	1,422,117	(277,482)
Fund Balance - Ending	\$ 49,000	\$ 549,000	\$ 915,870	\$ 366,870

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,819,400	\$ 1,819,400	\$ 2,967,073	\$ 1,147,673
Miscellaneous	1,000	1,000		(1,000)
Interest	5,000	5,000	2,041	(2,959)
Total Receipts	1,825,400	1,825,400	2,969,114	1,143,714
DISBURSEMENTS				
Roads	2,861,300	3,919,900	3,137,667	782,233
Debt Service	188,157	188,157	219,096	(30,939)
Administration	450,543	391,943	362,745	29,198
Total Disbursements	3,500,000	4,500,000	3,719,508	780,492
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,674,600)	(2,674,600)	(750,394)	1,924,206
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,400,000	1,400,000	600,000	(800,000)
Total Other Adjustments to Cash (Uses)	1,400,000	1,400,000	600,000	(800,000)
Net Change in Fund Balance	(274,600)	(1,274,600)	(150,394)	1,124,206
Fund Balance Beginning (Restated)	274,600	274,600	437,095	162,495
Fund Balance - Ending	\$ 0	\$ (1,000,000)	\$ 286,701	\$ 1,286,701

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 605,000	\$ 605,000	\$ 447,355	\$ (157,645)
Charges for Services	21,000	21,000	75	(20,925)
Miscellaneous	64,000	64,000	34,421	(29,579)
Interest Earned	300	300	510	210
Total Receipts	690,300	690,300	482,361	(207,939)
DISBURSEMENTS				
Protection to Persons and Property	1,940,000	1,936,150	1,683,358	252,792
Administration	560,000	563,850	444,560	119,290
Total Disbursements	2,500,000	2,500,000	2,127,918	372,082
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,809,700)	(1,809,700)	(1,645,557)	164,143
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,700,000	1,700,000	1,450,000	(250,000)
Total Other Adjustments to Cash (Uses)	1,700,000	1,700,000	1,450,000	(250,000)
Net Change in Fund Balance	(109,700)	(109,700)	(195,557)	(85,857)
Fund Balance Beginning (Restated)	109,700	109,700	327,002	217,302
Fund Balance - Ending	\$ 0	\$ 0	\$ 131,445	\$ 131,445

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 100,000	\$ 100,000	\$ 107,044	\$ 7,044
Intergovernmental	1,280,000	2,280,000	2,430,877	150,877
Charges for Services	50,000	50,000	97,634	47,634
Miscellaneous	32,000	32,000	7,400	(24,600)
Interest	10,000	10,000	4,666	(5,334)
Total Receipts	1,472,000	2,472,000	2,647,621	175,621
DISBURSEMENTS				
General Government	50,000	50,000		50,000
Protection to Persons and Property	139,700	108,200	79,457	28,743
General Health and Sanitation	240,000	165,000	96,191	68,809
Recreation and Culture	945,000	1,354,500	1,063,982	290,518
Capital Projects	109,000	9,000		9,000
Administration	300,300	247,300	242,330	4,970
Total Disbursements	1,784,000	1,934,000	1,481,960	452,040
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(312,000)	538,000	1,165,661	627,661
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			300,000	300,000
Transfers To Other Funds	(350,000)	(350,000)	(1,400,000)	(1,050,000)
Total Other Adjustments to Cash (Uses)	(350,000)	(350,000)	(1,100,000)	(750,000)
Net Change in Fund Balance	(662,000)	188,000	65,661	(122,339)
Fund Balance Beginning	613,000	613,000	80,220	(532,780)
Fund Balance - Ending	\$ (49,000)	\$ 801,000	\$ 145,881	\$ (655,119)

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

STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
RECEIPTS			Variance with Final Budget Positive (Negative)
Intergovernmental	\$ 18,700	\$ 18,700	\$ (18,700)
Total Receipts	18,700	18,700	(18,700)
DISBURSEMENTS			
Protection to Persons and Property	24,700	24,700	24,700
Total Disbursements	24,700	24,700	24,700
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,000)	(6,000)	6,000
Net Change in Fund Balance	(6,000)	(6,000)	6,000
Fund Balance Beginning	6,000	6,000	13,534
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,534

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

FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
RECEIPTS			Variance with Final Budget Positive (Negative)
Intergovernmental	\$ 10,000	\$ 10,000	\$ (10,000)
Total Receipts	10,000	10,000	(10,000)
DISBURSEMENTS			
General Government	10,000	10,000	10,000
Total Disbursements	10,000	10,000	10,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			
Net Change in Fund Balance			
Fund Balance Beginning			91
Fund Balance - Ending	\$ 0	\$ 0	\$ 91

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

FEDERAL DISASTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 600	\$ (999,400)
Interest			38	38
Total Receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u>638</u>	<u>(999,362)</u>
DISBURSEMENTS				
Road Facilities	1,199,000	1,549,000	1,367,236	181,764
Administration	<u>1,000</u>	<u>1,000</u>		<u>1,000</u>
Total Disbursements	<u>1,200,000</u>	<u>1,550,000</u>	<u>1,367,236</u>	<u>182,764</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(550,000)</u>	<u>(1,366,598)</u>	<u>(816,598)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,250,000	1,250,000
Total Other Adjustments to Cash (Uses)			<u>1,250,000</u>	<u>1,250,000</u>
Net Change in Fund Balance	(200,000)	(550,000)	(116,598)	433,402
Fund Balance Beginning (Restated)	<u>201,000</u>	<u>201,000</u>	<u>432,612</u>	<u>231,612</u>
Fund Balance - Ending	<u>\$ 1,000</u>	<u>\$ (349,000)</u>	<u>\$ 316,014</u>	<u>\$ 665,014</u>

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

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 80	\$ 80
Total Receipts			80	80
DISBURSEMENTS				
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)	80	16,080
Net Change in Fund Balance	(16,000)	(16,000)	80	16,080
Fund Balance Beginning (Restated)	15,000	15,000	15,978	978
Fund Balance - Ending	\$ (1,000)	\$ (1,000)	\$ 16,058	\$ 17,058

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

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 172,500	\$ 172,500	\$ 139,191	\$ (33,309)
Charge for Services	25,000	25,000		(25,000)
Miscellaneous	75,000	75,000	137,725	62,725
Interest	200	200	831	631
Total Receipts	<u>272,700</u>	<u>272,700</u>	<u>277,747</u>	<u>5,047</u>
DISBURSEMENTS				
Protection to Persons and Property	330,600	316,600	213,123	103,477
Administration	17,400	31,400	13,138	18,262
Total Disbursements	<u>348,000</u>	<u>348,000</u>	<u>226,261</u>	<u>121,739</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(75,300)</u>	<u>(75,300)</u>	<u>51,486</u>	<u>126,786</u>
Net Change in Fund Balance	(75,300)	(75,300)	51,486	126,786
Fund Balance Beginning (Restated)	<u>75,300</u>	<u>75,300</u>	<u>146,160</u>	<u>70,860</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 197,646</u>	<u>\$ 197,646</u>

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

WATER AND SEWER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 300,000	\$ 27,322	\$ (272,678)
Total Receipts	100,000	300,000	27,322	(272,678)
DISBURSEMENTS				
General Health and Sanitation	99,000	299,000	27,322	271,678
Administration	1,000	1,000		1,000
Total Disbursements	100,000	300,000	27,322	272,678
Net Change in Fund Balance				
Fund Balance Beginning (Restated)			3	3
Fund Balance - Ending	\$ 0	\$ 0	\$ 3	\$ 3

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

CONSTRUCTION FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
RECEIPTS			
Interest	\$	\$	\$ 2,681
Total Receipts			2,681
DISBURSEMENTS			
General Health and Sanitation	1,539,000	1,539,000	1,539,000
Administration	1,000	1,000	1,000
Total Disbursements	1,540,000	1,540,000	1,540,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,540,000)	(1,540,000)	2,681
Net Change in Fund Balance	(1,540,000)	(1,540,000)	2,681
Fund Balance Beginning (Restated)	1,540,000	1,540,000	1,535,914
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,538,595

FLOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

The general fund, recreation and culture line-item, exceeded budgeted appropriations by \$1,420.

The general fund, debt service line-item, exceeded budgeted appropriations by \$1,534,622.

The general fund, total disbursements, exceeded total budget appropriations by \$722,600.

The road fund, debt service line-item, exceeded budgeted appropriations by \$30,939.

Note 3. Reconciliation of the General Fund

Reconciliation of the General Fund

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (665,000)
To adjust for change in payroll revolving account balance	<u>(170)</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ (665,170)</u>
Beginning Fund Balance-Budgetary Basis	\$ 1,422,117
To adjust for payroll revolving account balance	<u>30,463</u>
Total Beginning Fund Balance-Regulatory Basis	<u>\$ 1,452,580</u>
Ending Fund Balance-Budgetary Basis	\$ 915,870
To adjust for payroll revolving account balance	<u>30,293</u>
Total Ending Fund Balance-Regulatory Basis	<u>\$ 946,163</u>

FLOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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FLOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U.S. Department of Justice</u>				
<i>Direct Program:</i>				
Grants To Encourage Arrest Policies And Enforcement Of Protection Orders Program	16.590		\$	\$ 30,553
Total U.S. Department of Justice				30,553
<u>U.S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
COVID-19 - Coronavirus Relief Fund	21.019			422,055
Total U.S. Department of Treasury				422,055
<u>Appalachian Regional Commission</u>				
<i>Passed through Kentucky Department for Local Government:</i>				
Appalachian Area Development	23.002	C104/C2-216		27,322
Total Appalachian Regional Commission				27,322
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Kentucky Department of Military Affairs:</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4595-DR-KY		695,088
		FEMA-4592-DR-KY		6,046
		FEMA-4428-DR-KY		380,136
		FEMA-4358-DR-KY		2,531
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				1,083,801
<i>Passed through Kentucky Department of Military Affairs and Kentucky Emergency Management (KYEM):</i>				
Emergency Management Performance Grants	97.042	SC-095-21000065-1		16,454
Total U.S. Department of Homeland Security				1,100,255
Total Expenditures of Federal Awards			\$ 0	\$ 1,580,185

The accompanying notes are an integral part of this schedule.

FLOYD COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Floyd County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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, 2021

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FLOYD COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,501,249	\$	\$	\$ 3,501,249
Buildings	14,233,000			14,233,000
Equipment	3,877,568			3,877,568
Vehicles	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, 2021

Note 1. Capital Assets

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

	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

Note 2. Capital Assets Schedule

There was no activity reported by the county during the year or an accurate listing maintained. The prior year schedule was carried forward.

**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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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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, 2021, 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 June 2, 2023.

Internal Control Over Financial Reporting

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

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

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 2021-001, 2021-007, and 2021-009 to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002, 2021-003, 2021-005, 2021-006, and 2021-008 to be significant deficiencies.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002, 2021-003, 2021-004, 2021-005, 2021-007, and 2021-008.

Views of Responsible Officials and Planned Corrective Action

Floyd County's views and planned corrective action for the findings identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. The county's responses are 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 that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

June 2, 2023

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

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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, 2021. 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.

Unmodified Opinion on CFDA 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

Report On 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

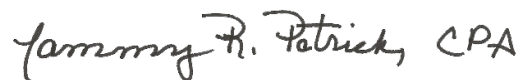
Management of the Floyd County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Floyd County Fiscal Court's internal 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.

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

June 2, 2023

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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, 2021
(Continued)

Section II: Financial Statement Findings

2021-001 The Floyd County Jailer Lacks Segregation Of Duties Over Receipts, Disbursements, And Bank Reconciliation Processes Of The Jail Commissary

A lack of segregation of duties existed over jail commissary receipts, disbursements and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipt ledger, recorded entries on inmate accounts, prepared checks for disbursements, prepared the monthly disbursement ledger, and performed the monthly bank reconciliations. Also, it should be noted that only one signature is present on check disbursements.

The official did not have controls in place to ensure that the same person did not perform all jail commissary accounting functions.

When one employee is responsible for the receipt, disbursement, and reconciliation processes, the risk of misappropriation of assets, errors, and inaccurate financial reporting increases.

Effective internal controls require a proper segregation of duties over accounting functions, such as making deposits, preparing disbursements, and reconciling the bank account. Further, segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

Some controls that the jailer could implement are as follows:

- Triplicate receipts could be compared to the inmate account sheets and attached to deposit slips and reviewed by an independent person.
- Commissary sales amounts could be compared to inmate accounts in the system for agreement. Any differences should be reconciled.
- Any voided receipts should state the reason why and then reviewed, initialed, and dated by an independent person.
- Supporting documentation for disbursements and invoices should be reviewed by the Jailer prior to payment.
- The Jailer, or his designee, could complete bank reconciliations or review the bookkeeper's reconciliations for accuracy.

If these duties cannot be segregated due to limited number of staff or budget restraints, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date on applicable documentation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding has been rectified with the new Jailer starting January 1, 2023.

Jailer's Response: We will be proactive in regard to this finding to resolve this issue going forward. Duties have been segregated since my administration took office on December 29, 2022.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-002 The Floyd County Jailer Did Not Have Adequate Controls Over Jail Commissary Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2020-004. The Floyd County Detention Center did not have adequate controls over disbursements. The auditor selected 24 disbursements and noted the following:

- Twelve invoices did not have proper supporting documentation.
- Sales tax of \$25.50 was paid for one purchase.
- Numerous checks were signed by only one jail employee instead of two.

This deficiency was caused by a lack of adequate internal controls and a lack of oversight by management of disbursements procedures.

KRS 441.135 requires the jailer to maintain records of receipts and disbursements of the jail commissary fund. Failure to properly maintain original invoices as required by the Department for Local Government could lead to fraudulent invoices being paid. The lack of internal controls increases the risk of material misstatement due to fraud or error. Having one signature on checks, especially a person that conducts all other accounting functions, increases the risk of fraud or theft. Misappropriation of public funds results when paying sales tax on purchases that are otherwise exempt.

The jail commissary is a governmental entity that is exempt from paying sales taxes. Failing to require two signatures on disbursements increases the risk of fraud or misappropriation of assets.

We recommend the jailer ensure all original invoices are maintained. Original invoices should be effectively cancelled to prevent duplicate payments. Also, we recommend the jailer review all purchases and ensure that sales taxes are not being paid prior to disbursement. Furthermore, to reduce the risk of fraud or misappropriation of assets, we recommend that all checks require dual signatures.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding has been rectified with the new Jailer starting January 1, 2023.

Jailer's Response: Since my administration took office on December 29, 2022 – we have been proactive in resolving this finding and will continue to do so in the future.

2021-003 The Floyd County Jailer Failed To Properly Reconcile And Account For The Inmate Account And Inmate Balances

Reconciliations for the inmate account were not prepared. This account is used to account for funds deposited by or on behalf of inmates. After funds are deposited, inmates' balances within the account are reduced for jail costs and fees as well as inmate purchases from the jail commissary. At the time of an inmate's release, if the inmate owes no additional amounts, the amount remaining in the inmate's account is refunded. No records were maintained that demonstrates the amount of funds held on behalf of the inmates as of June 30, 2021.

The jailer failed to properly provide adequate oversight in regard to inmate account reconciliations and inmate balances held.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-003 The Floyd County Jailer Failed To Properly Reconcile And Account For The Inmate Account and Inmate Balances (Continued)

Failure to properly reconcile the inmate account may result in misappropriation of inmate funds.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires jailers to maintain monthly cash reconciliations. In order to reflect an accurate book balance, this reconciliation should include a complete and accurate listing of all outstanding checks as well as all receivables and liabilities. Oversight is essential to providing adequate controls to reduce the risk of misappropriation of funds.

We recommend internal controls over the inmate account reconciliation process be strengthened to ensure that all outstanding checks, deposits-in-transit, receivables, and liabilities are accurately reflected on the monthly bank reconciliations. The jailer or another independent employee should review the monthly bank reconciliations prepared by the bookkeeper to ensure they are accurate. In addition, records showing the amounts that inmates have on hand should be maintained and be available to support the inmate account balance as of June 30.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding has been rectified with the new Jailer starting January 1, 2023.

Jailer's Response: It has been a priority to resolve this issue since my administration has taken office on December 29, 2022.

2021-004 The Floyd County Fiscal Court Failed To Prepare The Fourth Quarter Financial Report And Schedule Of Expenditures Of Federal Awards In Accordance With Kentucky Revised Statutes (KRS) And Department For Local Government Requirements

This was a repeat finding and was included in the prior year audit report as finding 2020-001. The county did not submit a fourth quarter financial report within 30 days of the fiscal year ending June 30, 2021. In addition, the copy on file with the Department for Local Government only contained three months of activity as opposed to the entire year. The copy of the fourth quarter financial report obtained for audit was dated June 20, 2022. Furthermore, the county failed to complete and send their Schedule of Expenditures of Federal Awards (SEFA) for the year ended June 30, 2021, until April 2023.

The fiscal court does not have adequate controls and procedures in place to ensure the timely preparation and submission of the fourth quarter financial report and SEFA as required.

The failure to properly prepare and submit the fourth quarter financial report may mislead those who review or use the information. Failing to file a SEFA in a timely manner may result in compliance requirements of federal monies not being met which could result in loss or forfeiture of federal funding.

Pursuant to KRS 424.230 and the *County Budget Preparation and State Local Finance Officer Policy Manual*, if monthly or quarterly statements are utilized instead of the annual statements required by KRS 424.220, the county's quarterly financial statement and the SEFA must be filed within thirty days following the end of the reporting period.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-004 The Floyd County Fiscal Court Failed To Prepare The Fourth Quarter Financial Report And Schedule Of Expenditures Of Federal Awards In Accordance With Kentucky Revised Statutes (KRS) And Department Of Local Government Requirements (Continued)

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 subrecipient, 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 Assistance Listings information is not available.
- (4) Total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs..., identify in the notes to the schedule the balances outstanding at the end of the audit period. While not required, it is preferable to present this information in the schedule.
- (6) Notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate...

We recommend the county ensure that the reporting requirements as set forth by Kentucky Revised Statutes, Code of Federal Regulations, and the Department for Local Government are satisfied.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This is a repeat finding and the current administration has not been given ample opportunity to address the previous audits and make necessary adjustments to address previous findings. The current Judge upon taking office in 2019 found the audits were four years behind and has struggled to get all audits current. Unfortunately, performing multiple years of audits simultaneously does not give the Treasurer the opportunity to correct these issues. The Schedule of Federal Expenditures is a very simple report that lists a total of all federal receipts and disbursements. Also, the late filing of the report to the Department for Local Government has been corrected.

2021-005 The Floyd County Fiscal Court Did Not Have Effective Controls, Review Procedures, And Oversight For The Budget Process

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The budget approved in the fiscal court minutes and the Department for Local Government does not balance by individual fund. However, the budget balances when all funds are taken into consideration. The general fund, local government economic assistance fund, federal disaster fund, and revolving loan fund were out of balance by \$49,000, (\$49,000), \$1,000, and (\$1,000), respectively. In addition, the water and sewer fund and construction fund were comingled in the approved budget and treasurer’s settlement.

The fiscal court did not have effective internal controls, review procedures, and oversight for the budget process to ensure that correct budget amounts were approved and balanced by fund. Inadequate controls over the budget process resulted in the undetected errors noted above. The inaccurate information resulted in unbalanced budgeted funds and could lead to improper decision making.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-005 The Floyd County Fiscal Court Did Not Have Effective Controls, Review Procedures, And Oversight For The Budget Process (Continued)

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.

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts *are accurate and balanced by fund*.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This is a typo and overall budget was correct and approved by the Department for Local Government. The Fiscal Court has contracted with a consultant approved by our software company to ensure future submissions are correct.

2021-006 The Floyd County Fiscal Court Did Not Have Adequate Controls In Place To Accurately Report Amounts For Debt On The Fourth Quarter Financial Report

This is a repeat finding and was included in the prior year audit report as finding 2020-003. Internal control deficiencies exist over the reporting of liabilities and debt of Floyd County. Outstanding debt principal as of June 30, 2021, reported on the fourth quarter financial report was greater than outstanding debt principal per debt schedules by \$27,875. Outstanding interest reported was less than actual by \$18,660. The net total amount of excess reported was \$9,215.

The county failed to implement sufficient monitoring over the reporting process.

By not correctly reporting for outstanding liabilities, the fiscal court cannot make effective management decisions as it relates to debt service outstanding each fiscal year.

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting.

We recommend the Floyd County Fiscal Court strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with lenders to verify outstanding debt balances agree with the county’s schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that the proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This is a repeat finding. The debt information that is listed came directly from the debt schedules provided by our lenders.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-007 The Floyd County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated

The county failed to reconcile the fourth quarter financial statement to the treasurer's settlement, the original budget, the budget amendment, and account for all financial activity of the county that resulted in numerous errors and material adjustments to the financial statements. The tables below demonstrate the differences between the fourth quarter financial report and the presented audited financial statements.

Budgetary Comparison Schedules Supplementary Information - Regulatory Basis	Budget Per Fourth Quarter Financial Report	Audited Budget Per Audit Report	Difference
General Fund Receipts	\$ 11,870,000	\$ 7,026,300	\$ 4,843,700
General Fund Disbursements	(6,697,300)	(6,477,300)	(220,000)
Road Fund Receipts	2,140,900	3,500,000	(1,359,100)
Road Fund Disbursements	(4,560,000)	(4,500,000)	(60,000)
Jail Fund Receipts	2,100,000	2,500,000	(400,000)
Jail Fund Disbursements	(2,440,000)	(2,500,000)	60,000
LGEA Fund Receipts	1,400,000	2,735,000	(1,335,000)
LGEA Fund Disbursements	(734,000)	(1,934,000)	1,200,000
State Grant Fund Receipts	24,700	24,700	
State Grant Fund Disbursements	(24,700)	(24,700)	
Federal Grant Fund Receipts		10,000	(10,000)
Federal Grant Fund Disbursements	(10,000)	(10,000)	
Federal Disaster Fund Receipts	386,200	1,201,000	(814,800)
Federal Disaster Fund Disbursements	(1,440,000)	(1,550,000)	110,000
Revolving Fund Receipts	200	15,000	(14,800)
Revolving Fund Disbursements	(16,000)	(16,000)	
E-911 Receipts	360,000	348,000	12,000
E-911 Disbursements	(348,000)	(348,000)	
Water and Sewer Fund Receipts		300,000	(300,000)
Water and Sewer Fund Disbursements		(300,000)	300,000
Construction Fund Receipts	1,371,300	1,540,000	(168,700)
Construction Fund Disbursements	(1,640,000)	(1,540,000)	(100,000)
Budget Variances	\$ 1,743,300	\$ 0	\$ 1,743,300

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-007 The Floyd County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated
(Continued)

Budgetary Comparison Schedules Supplementary Information - Regulatory Basis	Amount Per Fourth Quarter Financial Report	Audited Amount Per Audit Report	Difference
General Fund Receipts	\$ 6,623,926	\$ 8,115,770	\$ (1,491,844)
General Fund Disbursements	5,663,478	7,199,900	(1,536,422)
General Fund - Fund Balance	960,488	915,870	44,618
Road Fund Receipts	4,010,153	4,006,209	3,944
Road Fund Disbursements	3,719,388	3,719,508	(120)
Road Fund - Fund Balance	290,765	286,701	4,064
Jail Fund Receipts	2,259,363	2,259,363	
Jail Fund Disbursements	2,127,918	2,127,918	
Jail Fund - Fund Balance	131,445	131,445	
LGEA Fund Receipts	1,626,986	1,627,841	(855)
LGEA Fund Disbursements	1,482,081	1,481,960	121
LGEA Fund - Fund Balance	144,905	145,881	(976)
State Grant Fund Receipts	13,534	13,534	
State Grant Fund Disbursements			
State Grant Fund - Fund Balance	13,534	13,534	
Federal Grant Fund Receipts		91	(91)
Federal Grant Fund Disbursements			
Federal Grant Fund - Fund Balance		91	(91)
Federal Disaster Fund Receipts	638	638	
Federal Disaster Fund Disbursements	1,367,236	1,367,236	
Federal Disaster Fund - Fund Balance	316,014	316,014	
Revolving Fund Receipts	16,078	16,058	20
Revolving Fund Disbursements			
Revolving Fund - Fund Balance	16,078	16,058	20
E-911 Receipts	423,907	423,907	
E-911 Disbursements	226,261	226,261	
E-911 Fund - Fund Balance	197,646	197,646	
Water and Sewer Fund Receipts		27,322	(27,322)
Water and Sewer Fund Disbursements		27,322	(27,322)
Water and Sewer Fund - Fund Balance		3	(3)
Construction Fund Receipts	1,563,236	2,681	1,560,555
Construction Fund Disbursements	27,322		27,322
Construction Fund - Fund Balance	1,538,593	1,538,595	(2)
Financial Statement Misstatements			<u>\$ (1,444,384)</u>

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-007 The Floyd County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated
 (Continued)

There is a lack of internal controls over the reporting process to ensure the financial statements are presented accurately and not misstated.

Failure to provide adequate oversight over reporting functions resulted in misstated financial statements being presented to the public and users.

The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Kentucky Department for Local Government's *Budget and Policy Manual*, requires the fourth quarter financial report to be utilized for reporting. KRS 68.360 states that the county judge/executive is responsible for the county's quarterly financial statement while the Department for Local Government requires the county treasurer to prepare a quarterly financial statement for the state local finance officer. KRS 424.220 requires the county treasurer to prepare an annual financial statement.

We recommend that the county implement internal controls and oversight to ensure that the financial statements are prepared accurately and in compliance with the Department for Local Government and KRS requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We agree that there is an error on the fourth quarter financial statement that was submitted to the Department for Local Government. In regard to the treasurer's report – the financial statements submitted to the Floyd County Fiscal Court and the financial statements presented publicly are correct. This error has been an on-going issue for several years due to staffing and software issues. The Fiscal Court has contracted with a consultant provided through the software company to ensure that all future reports submitted to the Department for Local Government are timely filed and accurate.

2021-008 The Floyd County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Disbursements Exceeding The Approved Budget

During the year the county entered into a debt agreement to refinance existing debt in the amount of \$1,535,000. These funds did not flow through the county's financial reporting system and therefore that activity was not recorded in the county's receipts and disbursements as required. As a result, the fiscal court failed to properly budget for the debt-related receipts and disbursements in the general fund. In addition, payments of \$30,939 were posted to the incorrect appropriation code in the road fund. Failing to account for these activities resulted in appropriations in excess of budget in the general fund debt service and road fund debt service categories of \$1,534,622 and \$30,939, respectively.

Management was unaware that financing obligation proceeds and activity must be shown on the financial statement and budgeted, even when the county does not receive the proceeds, or the funds do not flow through the county. A lack of oversight of disbursements resulted in debt misclassifications.

The occurrence described above resulted in adjustments to include this activity on the fourth quarter financial report which resulted in county appropriations exceeding the approved budget.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-008 The Floyd County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Disbursements Exceeding The Approved Budget (Continued)

KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void.” KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

We recommend the fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all fiscal court disbursements and amending the budget as necessary to reflect unanticipated receipts and disbursements. We further recommend that the county implement internal controls to ensure all receipts and disbursements are properly recorded and included in the financial statements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We agree that a budget amendment was not prepared upon refinancing the county’s bond to lower the interest rate to save taxpayer dollars. The dollar amount did not change and we assumed that a budget amendment was not necessary because the principal amount remained the same. In the future, if we refinance any debt we will prepare a budget amendment.

2021-009 The Floyd County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash, Receipts, And Reporting Processes

The Floyd County Fiscal Court lacks adequate segregation of duties over cash, receipts and reporting processes. The county treasurer prepares deposit tickets and posts receipts to the receipts ledger for all receipts for all funds without any documented review from an independent party. Solid waste personnel receive and deposit receipts for all collections without any documented review from an independent party. The county’s financial statements also do not appear to be properly reviewed prior to submission.

According to the county treasurer and county judge/executive, this condition is a result of a limited budget, which restricts the number of employees the fiscal court can hire or delegate duties to. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that a misstatement could occur and go undetected.

We recommend the fiscal court implement segregation of duties over cash, receipts, and the reporting processes. If this is not possible due to a lack of staff, then the fiscal court can continue to implement compensating controls.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We agree that the segregation of duties is paramount for strong internal controls. We have limited resources and limited space to work within and this creates a set of unique challenges for all involved. The segregation of duties in the Solid Waste Department have been addressed and a verification process has been implemented to reconcile deposits and receipts.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The Floyd County Fiscal Court Did Not Prepare A Timely Or Accurate Schedule Of Expenditures Of Federal Awards	Partially Resolved	See Corrective Action for current finding 2021-004
2020-002	The Floyd County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process	Unresolved	See Corrective Action for current finding 2021-005
2020-003	The Floyd County Fiscal Court Did Not Properly Disclose Debt On The Fourth Quarter Financial Report	Unresolved	See Corrective Action for current finding 2022-006
2020-004	The Floyd County Jailer Does Not Have Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts	Unresolved	See Corrective Action for current finding 2021-001
2020-005	The Floyd County Fiscal Court Submitted Ineligible Expenses For Federal Reimbursement From The Coronavirus Relief Fund	Resolved	

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

FLOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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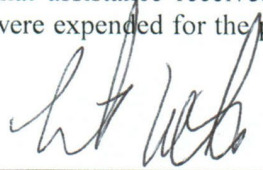
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


FLOYD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2021

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



Robbie Williams
County Judge/Executive



Vicki Spencer
County Treasurer