

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BOYD COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	33
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	47
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	48
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	51
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	61
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



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 Eric Chaney, Boyd County Judge/Executive
Members of the Boyd 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 Boyd County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Boyd County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Boyd 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 Boyd County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Boyd County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Boyd 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) 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. The Budgetary Comparison Schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole. Because of the absence of internal controls and failure of the county to ensure the Schedule of Expenditures of Federal Awards was prepared by someone knowledgeable of federal program requirements, as described in comments 2020-010 and 2020-012, we do not express an opinion on whether the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of the Boyd 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 Boyd County Fiscal Court's internal control over financial reporting and compliance.

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

- 2020-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated
- 2020-002 The Fourth Quarter Liabilities Journal Was Misstated
- 2020-003 Budget Amounts Are Misstated On The Quarterly Report
- 2020-004 The Fiscal Court's Disbursements Exceeded Approved Budget Appropriations By \$1,117,629
- 2020-005 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund
- 2020-006 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations
- 2020-007 The Senior Center Fund Had A Negative Reconciled Fund Balance Of (\$116)
- 2020-008 The Fiscal Court Does Not Have Adequate Internal Controls, Review, And Oversight Procedures For The Payroll Revolving Account
- 2020-009 The Jail Lacks Adequate Segregation Of Duties Over Jail Commissary Transactions
- 2020-010 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated
- 2020-011 The Fiscal Court Lacks Adequate Internal Controls Over Federal Programs
- 2020-012 The Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund
- 2020-013 The Schedule Of Expenditures Of Federal Awards Did Not Provide Sufficient And Appropriate Evidence Supporting The Compliance With CFDA 97.036 Public Assistance Grant

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

October 14, 2021

BOYD COUNTY OFFICIALS
For The Year Ended June 30, 2020

Fiscal Court Members:

Eric Chaney	County Judge/Executive
Keith Watts	Commissioner
Randy Stapleton	Commissioner
Larry Brown	Commissioner

Other Elected Officials:

Phillip Hedrick	County Attorney
William Hensley	Jailer
Debbie Jones-Castle (July 1, 2019 - March 31, 2020)	County Clerk
Susan Campbell (April 1, 2020 - June 30, 2020)	County Clerk
Tracey Kelley	Circuit Court Clerk
Bobby Jack Woods	Sheriff
Charles Adkins	Property Valuation Administrator
Mark Hammond	Coroner

Appointed Personnel:

Patricia Ball	County Treasurer
---------------	------------------

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 10,974,784	\$	\$
Excess Fees	348,822		
Licenses and Permits	77,305		
Intergovernmental	2,842,837	1,200,191	1,258,933
Charges for Services	40,407	84,470	54,961
Miscellaneous	875,383	1,362	24,658
Interest	2,203	315	192
Total Receipts	<u>15,161,741</u>	<u>1,286,338</u>	<u>1,338,744</u>
DISBURSEMENTS			
General Government	5,549,762	1,808	
Protection to Persons and Property	481,587		3,518,534
General Health and Sanitation	268,871		
Social Services			
Recreation and Culture	688,309		
Transportation Facility and Services			
Roads		1,647,918	
Airports			
Debt Service	559,469		
Capital Projects			
Administration	3,569,165	440,000	853,597
Total Disbursements	<u>11,117,163</u>	<u>2,089,726</u>	<u>4,372,131</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,044,578</u>	<u>(803,388)</u>	<u>(3,033,387)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	155,040		
Bond Sale Proceeds	2,100,000		
Bond Premium	23,561		
Bond Underwriter's Discount	(23,976)		
Payment to Capitalized Interest Fund	(47,206)		
Payroll Revolving Account	(39,702)		
Transfers From Other Funds	1,192,216	900,000	3,414,000
Transfers To Other Funds	(7,661,964)	(148,450)	(407,522)
Total Other Adjustments to Cash (Uses)	<u>(4,302,031)</u>	<u>751,550</u>	<u>3,006,478</u>
Net Change in Fund Balance	(257,453)	(51,838)	(26,909)
Fund Balance - Beginning (Restated)	460,597	118,004	179,285
Fund Balance - Ending	<u>\$ 203,144</u>	<u>\$ 66,166</u>	<u>\$ 152,376</u>
Composition of Fund Balance			
Bank Balance	\$ 449,296	\$ 156,566	\$ 239,169
Payroll Revolving Account Reconciled Balance	(39,702)		
Less: Outstanding Checks	(206,450)	(90,400)	(86,793)
Fund Balance - Ending	<u>\$ 203,144</u>	<u>\$ 66,166</u>	<u>\$ 152,376</u>

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

BOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Budgeted Funds							
Local Government							
Economic Assistance Fund	Economic Development Fund	Special Projects Fund	Sewer Fund	Escrow Fund	Emergency Fund	Senior Center Fund	FEMA Fund
\$	\$	\$	\$	\$	\$	\$	\$
222,426							
30,000	71,646			280,978		4,075	1,183,930
269	28	10	55	1,043	1,390		
<u>252,695</u>	<u>71,674</u>	<u>10</u>	<u>55</u>	<u>282,021</u>	<u>1,390</u>	<u>4,075</u>	<u>1,183,930</u>
16,871	73,010	18,441			62,930		155,394
							247,014
						9,520	
22,214							
23,936							
378,238							
5,000							
29,827			551,444				14,595
17,488							
104			500				
<u>493,678</u>	<u>73,010</u>	<u>18,441</u>	<u>551,944</u>		<u>62,930</u>	<u>9,520</u>	<u>417,003</u>
<u>(240,983)</u>	<u>(1,336)</u>	<u>(18,431)</u>	<u>(551,889)</u>	<u>282,021</u>	<u>(61,540)</u>	<u>(5,445)</u>	<u>766,927</u>
363,429							
	5,582	15,000	551,944	645,490	575,000	2,600	
<u>(18,206)</u>	<u>(300)</u>			<u>(1,490,500)</u>	<u>(150,000)</u>		<u>(227,700)</u>
<u>345,223</u>	<u>5,282</u>	<u>15,000</u>	<u>551,944</u>	<u>(845,010)</u>	<u>425,000</u>	<u>2,600</u>	<u>(227,700)</u>
104,240	3,946	(3,431)	55	(562,989)	363,460	(2,845)	539,227
20,080	5,889	7,758	548	563,086	501,656	2,729	68,539
<u>\$ 124,320</u>	<u>\$ 9,835</u>	<u>\$ 4,327</u>	<u>\$ 603</u>	<u>\$ 97</u>	<u>\$ 865,116</u>	<u>\$ (116)</u>	<u>\$ 607,766</u>
\$ 129,572	\$ 13,424	\$ 4,412	\$ 603	\$ 97	\$ 865,116	\$ 339	\$ 607,766
<u>(5,252)</u>	<u>(3,589)</u>	<u>(85)</u>				<u>(455)</u>	
<u>\$ 124,320</u>	<u>\$ 9,835</u>	<u>\$ 4,327</u>	<u>\$ 603</u>	<u>\$ 97</u>	<u>\$ 865,116</u>	<u>\$ (116)</u>	<u>\$ 607,766</u>

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

BOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

	<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		<u>Total Funds</u>
	<u>2019 Bond Fund</u>	<u>Line of Credit (LOC) Fund</u>	<u>Capital Projects Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS					
Taxes	\$	\$	\$	\$	\$ 10,974,784
Excess Fees					348,822
Licenses and Permits					77,305
Intergovernmental			1,385,750		6,910,137
Charges for Services					179,838
Miscellaneous				357,185	2,829,217
Interest	1,254	98	2,325	208	9,390
Total Receipts	<u>1,254</u>	<u>98</u>	<u>1,388,075</u>	<u>357,393</u>	<u>21,329,493</u>
DISBURSEMENTS					
General Government					5,815,286
Protection to Persons and Property					4,310,065
General Health and Sanitation					268,871
Social Services					9,520
Recreation and Culture				284,861	995,384
Transportation Facility and Services					23,936
Roads					2,026,156
Airports					5,000
Debt Service			2,120,507		3,275,842
Capital Projects	1,976,127	1,472,233			3,465,848
Administration			4,000		4,867,366
Total Disbursements	<u>1,976,127</u>	<u>1,472,233</u>	<u>2,124,507</u>	<u>284,861</u>	<u>25,063,274</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,974,873)</u>	<u>(1,472,135)</u>	<u>(736,432)</u>	<u>72,532</u>	<u>(3,733,781)</u>
Other Adjustments to Cash (Uses)					
Financing Obligation Proceeds		1,472,233			1,990,702
Bond Sale Proceeds					2,100,000
Bond Premium					23,561
Bond Underwriter's Discount					(23,976)
Payment to Capitalized Interest Fund					(47,206)
Payroll Revolving Account					(39,702)
Transfers From Other Funds	1,998,365		804,445		10,104,642
Transfers To Other Funds					(10,104,642)
Total Other Adjustments to Cash (Uses)	<u>1,998,365</u>	<u>1,472,233</u>	<u>804,445</u>		<u>4,003,379</u>
Net Change in Fund Balance	23,492	98	68,013	72,532	269,598
Fund Balance - Beginning (Restated)			623,798	42,583	2,594,552
Fund Balance - Ending	<u>\$ 23,492</u>	<u>\$ 98</u>	<u>\$ 691,811</u>	<u>\$ 115,115</u>	<u>\$ 2,864,150</u>
Composition of Fund Balance					
Bank Balance	\$ 23,492	\$ 98	\$ 691,811	\$ 123,981	\$ 3,305,742
Plus: Deposits In Transit					(39,702)
Less: Outstanding Checks				(8,866)	(401,890)
Fund Balance - Ending	<u>\$ 23,492</u>	<u>\$ 98</u>	<u>\$ 691,811</u>	<u>\$ 115,115</u>	<u>\$ 2,864,150</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	14
NOTE 3.	TRANSFERS.....	14
NOTE 4.	CUSTODIAL FUNDS	14
NOTE 5.	LEASE AGREEMENT	15
NOTE 6.	LONG-TERM DEBT	15
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	25
NOTE 8.	DEFERRED COMPENSATION.....	28
NOTE 9.	HEALTH REIMBURSEMENT ACCOUNT	28
NOTE 10.	INSURANCE.....	28
NOTE 11.	PAYROLL REVOLVING ACCOUNT	29
NOTE 12.	CONDUIT DEBT.....	29
NOTE 13.	PRIOR PERIOD ADJUSTMENTS	29
NOTE 14.	DEFICIT FUND BALANCE	29

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

Sanitation District No. 4 would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants for coal hauling roads and related disbursements such as county road maintenance, industrial and economic development, public safety, and environmental protection. The primary sources of receipts for this fund are grants from the state and federal governments.

Economic Development Fund – Grant money was received into this fund to purchase land to build and maintain a community center. The primary source of receipts for this fund are federal and state grants.

Special Projects Fund - The primary purpose of this fund is to account for major building projects around the county. The primary source of receipts for this fund are federal and state grants.

Sewer Fund - The primary purpose of this fund is to account for construction grants received for the construction of additional sewer lines and the debt service payments on debt incurred for the construction of sewer lines. The primary sources of receipts for this fund are federal and state grants and transfers from the general fund.

Escrow Fund - The primary purpose of this fund is to reserve funds from net profit tax payments received from large companies in the county in the event that a company estimated incorrectly and is due a refund. The primary sources of receipts for this fund is net profit tax proceeds transferred from the general fund.

Emergency Fund - The primary purpose of this fund is to account for special projects, emergency repairs, and COVID-19 related expenses. The primary sources of receipts for this fund are 5% of occupational tax, as well as federal, state, and local grants.

Senior Center Fund - The primary purpose of this fund is to maintain a community senior center that also houses the KY Northeastern Action Agency that provides services for the senior citizens. The primary sources of receipts for this fund is through the rental of the agency and rental of the recreation room and transfers from the general fund.

FEMA Fund - The primary purpose of this fund is to account for the county's FEMA related projects that they get reimbursed on. The primary sources of receipts for this fund and federal and state grants.

2019 Bond Fund - The primary purpose of this fund is to account for the proceeds of the 2019 bond series and track its expenses. Once the money is spent, this fund will no longer exist. The primary sources of receipts for this fund are bond proceeds.

Line of Credit (LOC) Fund - The primary purpose of this fund is to advance funding on road projects that are subsequently reimbursed by state and federal funds. The primary sources of receipts for this fund are line of credit proceeds.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Capital Projects Fund - The primary purpose of this fund is to account for the financing and construction of major capital facilities and improvements, such as the detention center improvements, road maintenance garage, and jail pedway. In addition, this fund handles financing activities associated with the judicial center construction. The primary sources of receipts for the fund are transfers in from the general, road, and jail funds. The Department for Local Government does not require the fiscal court to budget this fund.

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

D. Budgetary Information

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

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

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

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

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

E. Boyd County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Boyd 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 Boyd County Fiscal Court.

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Boyd County Elected Officials (Continued)

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Joint Ventures

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

- The Eastpark Industrial Park is disclosed as an organization jointly governed by the Kentucky counties of Boyd, Carter, Elliott, Greenup, and Lawrence.
- The Greenup/Boyd Riverport Authority is disclosed as an organization jointly governed by the Kentucky counties of Greenup and Boyd.
- The 911 Board (Regional Public Safety Communication Center) is jointly governed by Boyd County, and the cities of Ashland and Catlettsburg.
- The Airport Board (Ashland Regional Airport) is jointly governed by Boyd County, Greenup County, and the City of Ashland.

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

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, 2020, 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 2020.

	General Fund	Road Fund	Jail Fund	LGEA Fund	Escrow Fund	FEMA Fund	Economic Development Fund	Emergency Fund	Total Transfers In
General Fund	\$	\$	\$	\$18,206	\$ 990,500	\$ 33,210	\$ 300	\$ 150,000	\$ 1,192,216
Road Fund	900,000								900,000
Jail Fund	3,414,000								3,414,000
Economic Development Fund	5,000	582							5,582
Special Projects Fund	15,000								15,000
Emergency Fund	75,000				500,000				575,000
Escrow Fund	451,000					194,490			645,490
Sewer Fund	551,944								551,944
Senior Center Fund	2,600								2,600
Capital Projects Fund	249,055	147,868	407,522						804,445
2019 Bond Fund	1,998,365								1,998,365
Total Transfers Out	\$7,661,964	\$148,450	\$407,522	\$18,206	\$1,490,500	\$227,700	\$ 300	\$ 150,000	\$10,104,642

Reason for transfers:

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

Note 4. Custodial Funds

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

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

Note 4. Custodial Funds (Continued)

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$40,694.

Drug Court Funds - These funds account for Agency for Substance Abuse Policy (ASAP) funds that have been set aside for certain drug court programs by the KY-ASAP Tri-County Local Board. This funding is intended for residential treatment services to drug court participants. Boyd County Fiscal Court acts as fiscal agent by dispersing funds at the request of the Judge of the Boyd County Misdemeanor Drug Court to the residential treatment provider. Two bank accounts have been set up to account for these funds and the balances as of June 30, 2020 were \$13,063 and \$3,760.

Federal Prison Occupational Tax Fund - This fund accounts for the occupational tax withholdings of employees from the Ashland Federal Prison Institution. At the end of each month, the occupational tax coordinator issues a check to pay these withholdings to the general fund of the county. During the fiscal year, this account received from federal prison employees and paid to the general fund \$30,765 in occupational tax.

Note 5. Lease Agreement

On June 22, 2016, the Boyd County Fiscal Court entered into a lease agreement to lease several vehicles for use by the county. The vendor will, on or about the date of delivery of each vehicle to the county, include a schedule covering the vehicle, which will include a description of the vehicle, the lease term, and the monthly rental and other payments due with respect to the vehicle. The agreement is a lease with a buy option and the county will not have right title, or interest in or to the vehicles except for the use of the vehicles as described in the agreement. The lease term commences on the delivery date of the vehicle and ends 60 months after the first full month rental payment date with an option to continue month-to-month for an unlimited period of time. This lease payment can change each year depending on additions and deletions of vehicles. The annual lease payments required under the leasing agreement at June 30, 2020 are as follows:

Fiscal Year Ended	
June 30	Amount
2021	\$ 103,972
2022	39,065
2023	15,391
2024	15,391
2025	8,137
Total	<u>\$ 181,956</u>

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Boyd/Greenup Riverport Authority

On January 12, 2006, the Boyd County Fiscal Court entered into a direct borrowing on behalf of the Boyd/Greenup Riverport Authority. The agreement was for \$500,000 with a variable interest rate. The agreement has a term of 28 years with a maturity date of July 20, 2033. Interest payments are due monthly with one principal payment due on July 20th of each year.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Boyd/Greenup Riverport Authority (Continued)

In order to secure all of its obligations hereunder, the fiscal court grants to the lessor a first and prior security interest in any and all right, title and interest of the project and agrees to deliver all certificates of title to evidence such security interest. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to vacate within 60 days of notice, (b) sell or re-lease the project, (c) recover from the fiscal court the lease rental payments which would otherwise have been payable, and (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law. The amount outstanding under this agreement was \$340,000 at June 30, 2020. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 15,000	\$ 14,084
2022	15,000	13,452
2023	20,000	12,620
2024	20,000	11,789
2025	20,000	10,940
2026-2030	125,000	39,826
2031-2034	125,000	9,473
	<u>\$ 340,000</u>	<u>\$ 112,184</u>

2. First Mortgage Refunding Revenue Bonds, Series 2016

On February 25, 2016, the Boyd County Capital Projects Corporation issued first mortgage refunding revenue bonds, series 2016, in the amount of \$11,040,000. The proceeds of this issue were to pay off the first mortgage revenue bonds, series 2007, which was for the construction of the judicial center. The bonds have an interest rate of 3% with a retirement date of August 1, 2027. They require interest payments to be made February and August each year beginning on August 1, 2016. Annual principal payments begin August 1, 2019. The bonds are secured by a foreclosable mortgage lien on the project. In the event of default, the mortgage shall be enforced, which may include foreclosure of the liens created by the mortgage and sale of the project. The outstanding principal at June 30, 2020, was \$9,955,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 1,125,000	\$ 276,150
2022	1,155,000	247,575
2023	1,190,000	212,400
2024	1,220,000	178,750
2025	1,260,000	141,550
2026-2028	4,005,000	190,125
	<u>\$ 9,955,000</u>	<u>\$ 1,246,550</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Sheriff's Vehicles

On May 26, 2016, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$388,197 to purchase twelve vehicles for the sheriff's office. The agreement has an interest rate of 2.30%. Principal and interest payments are due each year on December 3rd and will mature on December 3, 2019. The sheriff's vehicles, including the original title are the collateral given as security for the direct borrowing. In the event of default, the lessor may (a) make all or any part of the amount owed immediately due, (b) use any and all remedies under state or federal law, (c) make a claim for any insurance benefits that are available upon default, (d) require the return the property (sheriff's vehicles) to the lessor in a reasonable fashion, and/or (e) repossess the property as long as it doesn't disrupt the peace. As of June 30, 2020, the direct borrowing was paid in full.

4. Mower

On July 27, 2017, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$66,232 to purchase a utility tractor lawn mower for the road department. The agreement has an interest rate of 1.35 percent. Principal and interest payments are due each year on November 15 and will mature on November 15, 2019. The mower, including the original title are the collateral given as security for the direct borrowing. In the event of default, the lessor may (a) make all or any part of the amount owed immediately due, (b) use any and all remedies under state or federal law, (c) make a claim for any insurance benefits that are available upon default, (d) require the return the property (mower) to the lessor in a reasonable fashion, and/or (e) repossess the property as long as it doesn't disrupt the peace. As of June 30, 2020, the direct borrowing was paid in full.

5. Jail Roof

On July 25, 2018, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$289,900 to put a new roof on the jail. The agreement has an interest rate of 3.10 percent. Principal and interest payments are due each year on December 3 and will mature on July 25, 2021. There are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the lease. In the event of default, the lessor may (a) make all or any part of the amount owed immediately due, (b) use any and all remedies under state or federal law, and/or (c) make a claim for any insurance benefits that are available upon default. The outstanding principal at June 30, 2020, was \$97,530. Payments for the remaining years are as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2021	\$ 97,530	\$ 3,036

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Trucks

On December 5, 2019, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$291,844 to purchase two trucks. The agreement has an interest rate of 3.50 percent. Interest payments are due monthly beginning on January 20, 2020 and ending on June 20, 2021. One principal payment is due on June 20, 2021. The loan is secured by the trucks being purchased. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to surrender the trucks within 60 days of notice, (b) sell or re-lease the trucks, (c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights to the trucks. The outstanding principal at June 30, 2020, was \$291,844. Payments for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2021	\$ 291,844	\$ 9,348

7. Backhoe

On September 3, 2019, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$71,560 to purchase a 2019 backhoe. The agreement has an interest rate of 3.80 percent. Principal and interest payments are due each year on December 3 and will mature on December 3, 2024. The loan is secured by the backhoe being purchased. Upon the occurrence of an event of default, the lessor may (a) by written notice to lessee declare an amount equal to all amounts then due be immediately due and payable, (b) enter and take immediate possession of the backhoe, (c) sell or lease the backhoe, or (d) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project. The outstanding principal at June 30, 2020, was \$71,585. Payments for the remaining years are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2021	\$ 13,264	\$ 2,728
2022	13,775	2,216
2023	14,299	1,693
2024	14,842	1,149
2025	15,405	587
	<u>\$ 71,585</u>	<u>\$ 8,373</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Truck

On September 30, 2019, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$133,180 to purchase a 2020 truck. The agreement has an interest rate of 3.45 percent. Principal and interest payments are due each year on December 3 and will mature on December 3, 2026. The loan is secured by the freightliner being purchased. Upon the occurrence of an event of default, the lessor may (a) by written notice to lessee declare an amount equal to all amounts then due be immediately due and payable, (b) enter and take immediate possession of the freightliner, (c) sell or lease the freightliner, or (d) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project. The outstanding principal at June 30, 2020, was \$133,180. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 17,136	\$ 4,607
2022	17,739	4,004
2023	18,351	3,392
2024	18,985	2,758
2025	19,634	2,109
2026-2027	41,335	2,151
	<u>\$ 133,180</u>	<u>\$ 19,021</u>

9. Line of Credit

On January 23, 2020, the Boyd County Fiscal Court entered into a line of credit agreement not to exceed \$2,000,000. The purpose of this line of credit is to carry cost in relation to destruction and rehabilitation of Federal Emergency Management Agency (FEMA) properties until the county is reimbursed by FEMA of the United States Department of Homeland Security. Interest payments are due monthly on the 20th based on a payment schedule that is attached to the monthly invoice. The amounts on the payment schedule vary from month to month as additional draws are incurred. The interest rate on the line of credit is 3.25%, and it has to be paid in full by February 20, 2023. The line of credit is unsecured. If an event of default has occurred, the lessor of this direct borrowing may: (a) terminate the lease term and give notice to the fiscal court to vacate within 60 days of notice, (b) sell or re-lease the project, (c) recover from the fiscal court the lease rental payments which would otherwise have been payable, and (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

9. Line of Credit (Continued)

As of June 30, 2020, unused funds in the amount of \$527,767 remain to be drawn down from the line of credit, and the outstanding principal was \$1,472,233. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$	\$ 44,051
2022		39,346
2023	1,472,233	26,197
	<u>\$ 1,472,233</u>	<u>\$ 109,594</u>

10. Truck

On January 3, 2020, the Boyd County Fiscal Court entered into a direct borrowing in the amount of \$21,860 to purchase a truck. The agreement has an interest rate of 3.250 percent. Principal and interest payments are due monthly on the 3rd and will mature on December 3, 2026. The loan is secured by the truck being purchased. Upon the occurrence of an event of default, the lessor may (a) by written notice to lessee declare an amount equal to all amounts then due be immediately due and payable, (b) use any and all remedies under state or federal law or in any loan document, (c) make a claim for any and all insurance benefits or refunds that may be available, or (d) repossess the truck. The outstanding principal at June 30, 2020, was \$19,744. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 5,304	\$ 563
2022	5,447	389
2023	5,626	209
2024	3,367	37
	<u>\$ 19,744</u>	<u>\$ 1,198</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt

1. General Obligation Refunding Bonds, Series 2010 - Detention Center Improvements

On September 1, 2010, the Boyd County Fiscal Court issued general obligation refunding bonds, series 2010, in the amount of \$2,050,000. The proceeds of this issue were used to pay off a detention center project financing obligation. The bonds were issued with an average interest rate of 3.6% with a retirement date of June 1, 2033. Annual principal payments are due on December 1 of each year and semi-annual interest payments are due on June 1 and December 1 of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding bond principal at June 30, 2020, was \$1,420,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 90,000	\$ 52,263
2022	90,000	49,563
2023	90,000	46,750
2024	95,000	43,744
2025	100,000	40,200
2026-2030	560,000	137,000
2031-2033	395,000	24,300
	<u>\$ 1,420,000</u>	<u>\$ 393,820</u>

2. General Obligation Refunding And Improvement Bonds, Series 2011 - Courthouse Renovation

On March 31, 2011, the Boyd County Fiscal Court issued general obligation public improvement bonds, series 2011, in the amount of \$2,700,000. The proceeds of this issue were used to pay a previous lease agreement in the amount of \$2,000,000 in full, with the remaining funds to be used to complete the repairs and renovation of the courthouse. The bonds were issued with an average interest rate of 2.7% with a retirement date of March 1, 2025. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding bond principal at June 30, 2020, was \$270,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 50,000	\$ 9,775
2022	50,000	8,150
2023	55,000	6,525
2024	55,000	4,463
2025	60,000	2,250
	<u>\$ 270,000</u>	<u>\$ 31,163</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

3. General Obligation Refunding And Improvement Bonds, Series 2011B - Paramount Arts Center

On November 1, 2011, the Boyd County Fiscal Court issued general obligation refunding and improvement bonds, series 2011B, in the amount of \$2,130,000 for the initial funding of the Paramount Arts Center. The agreement has a variable interest rate ranging from 1.00 to 4.25% and a maturity date of May 1, 2031. Annual principal payments are due on May 1st of each year and semi-annual interest payments are due on May 1st and November 1st of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding principal as of June 30, 2020, was \$1,330,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 100,000	\$ 51,025
2022	105,000	47,775
2023	105,000	44,363
2024	110,000	40,950
2025	115,000	36,825
2026-2030	650,000	112,565
2031	145,000	6,162
	<u>\$ 1,330,000</u>	<u>\$ 339,665</u>

4. General Obligation Refunding Bonds, Series 2012A - Sewer Line Extension

On October 20, 2012, the Boyd County Fiscal Court issued general obligation refunding bonds, series 2012A in the amount of \$7,910,000. The proceeds of this issue were used to pay off a sewer line extension project debt in the amount of \$7,555,000. The bonds were issued with a variable interest rate ranging from 4.00% to 5.7%. The agreement has a term of twenty-two years with a maturity date of April 20, 2033. Annual principal payments are due on April 20th of each year and semi-annual interest payments are due on October 20 and April 20 of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding principal at June 30, 2020, was \$5,560,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 355,000	\$ 196,594
2022	365,000	185,944
2023	370,000	174,994
2024	385,000	163,894
2025	395,000	151,381
2026-2030	2,180,000	550,275
2031-2033	1,510,000	123,700
	<u>\$ 5,560,000</u>	<u>\$ 1,546,782</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

5. General Obligation Refunding Bonds, Series 2014 - Jail, Road, Building & Courthouse

On April 1, 2014, the Boyd County Fiscal Court issued general obligation refunding bonds, series 2014, in the amount of \$4,055,000 for the refunding of general obligation public project refunding and improvement bonds, series 2004 and 2005, which were used to make improvements to the detention center and the road maintenance garage and to purchase a building adjacent to the courthouse for additional office space. The agreement has a variable interest rate ranging from 2.00% to 4.00% and a maturity date of March 1, 2035. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding principal as of June 30, 2020, was \$2,765,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 225,000	\$ 99,700
2022	230,000	92,950
2023	240,000	86,050
2024	255,000	78,850
2025	140,000	71,200
2026-2030	755,000	276,100
2031-2035	920,000	113,400
	<u>\$ 2,765,000</u>	<u>\$ 818,250</u>

6. General Obligation Refunding Bonds, Series 2015 - Jail Pedway

On March 11, 2015, the Boyd County Fiscal Court issued general obligation refunding bonds, series 2015, in the amount of \$1,890,000. The proceeds of this issue were used to pay off jail pedway debt in the amount of \$1,645,000. The bonds were issued with a variable interest rate ranging from 2.00% to 3.5%. The agreement has a term of 21 years with a maturity date of May 1, 2036. Annual principal payments are due on May 1st of each year and semi-annual interest payments are due on November 1st and May 1st of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable).

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

6. General Obligation Refunding Bonds, Series 2015 - Jail Pedway (Continued)

The outstanding principal at June 30, 2020, was \$1,475,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 75,000	\$ 47,358
2022	75,000	45,108
2023	80,000	42,858
2024	80,000	40,458
2025	80,000	38,058
2026-2030	450,000	151,552
2031-2035	515,000	74,943
2036	120,000	4,200
	<u>\$ 1,475,000</u>	<u>\$ 444,535</u>

7. General Obligation Bonds, Series 2019 - Improvements

On August 8, 2019, the Boyd County Fiscal Court issued general obligation bonds, series 2019, in the amount of \$2,100,000. The proceeds of this issue were used to finance the cost of acquiring, constructing, installing, and equipping: (a) improvements and energy improvements to the detention facility, (b) upgrades to the courthouse, and (c) upgrades to operational equipment. The bonds were issued with a variable interest rate ranging from 2.50% to 3.00% with a retirement date of December 1, 2044. Annual principal payments are due on December 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The bonds are secured by the fiscal court's taxing authority (the ability to levy an annual tax to pay the interest on and principal of the bonds when they become due and payable). The outstanding bond principal at June 30, 2020, was \$2,100,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Scheduled Principal	Scheduled Interest
2021	\$ 60,000	\$ 57,250
2022	60,000	55,750
2023	65,000	54,188
2024	65,000	52,563
2025	65,000	50,938
2026-2030	360,000	228,501
2031-2035	410,000	179,950
2036-2040	470,000	117,750
2041-2045	545,000	41,625
	<u>\$ 2,100,000</u>	<u>\$ 838,515</u>

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

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 11,709,342	\$ 1,990,702	\$ 1,318,928	\$ 12,381,116	\$ 1,565,078
Other Debt	13,945,000	2,100,000	1,125,000	14,920,000	955,000
Total Long-term Debt	<u>\$ 25,654,342</u>	<u>\$ 4,090,702</u>	<u>\$ 2,443,928</u>	<u>\$ 27,301,116</u>	<u>\$ 2,520,078</u>

D. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 955,000	\$ 513,965	\$ 1,565,078	\$ 354,567
2022	975,000	485,240	1,206,961	306,982
2023	1,005,000	455,728	2,720,509	256,511
2024	1,045,000	424,922	1,277,194	194,483
2025	955,000	390,852	1,315,039	155,186
2026-2030	4,955,000	1,455,993	4,171,335	232,102
2031-2035	3,895,000	522,455	125,000	9,473
2036-2040	590,000	121,950		
2041-2045	545,000	41,625		
Totals	<u>\$ 14,920,000</u>	<u>\$ 4,412,730</u>	<u>\$ 12,381,116</u>	<u>\$ 1,509,304</u>

Note 7. Employee Retirement System

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

The county's contribution for FY 2018 was \$1,151,722, FY 2019 was \$1,294,779, and FY 2020 was \$1,751,822.

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

Note 7. Employee Retirement System (Continued)

Nonhazardous

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

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

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 for the year.

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%

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Deferred Compensation

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

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

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 9. Health Reimbursement Account

The fiscal court has set up a health reimbursement account (HRA) account for employees to participate in for their health care needs, such as paying for doctor visits and prescriptions up to their insurance deductible amount. It is handled by a third party administrator. The fiscal court contributes \$500 for each employee to offset their medical expenses.

Note 10. Insurance

For the fiscal year ended June 30, 2020, the Boyd 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.

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

Note 11. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2020, was a negative \$39,702. This amount was deducted from the general fund cash balance for financial reporting purposes.

Note 12. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to 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 Boyd County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 13. Prior Period Adjustments

- The beginning balance of the general fund was increased \$4,479 due to voided stale dated checks and decreased \$563,086 due to the escrow fund being included in the general fund in the prior year audit, but the fiscal court decided to present the escrow account as a separate fund. The net effect of these two adjustments to the general fund was a decrease of \$558,607 from the prior to the current year.
- The beginning balance of the LGEA fund was increased \$800 due to voided stale dated checks.

Note 14. Deficit Fund Balance

As of June 30, 2020, the senior citizens center fund had a deficit fund balance in the amount of \$116. This deficit was due to disbursements in excess of available cash resources for the year, due to approved disbursement payments being prepared for items that exceeded the budget.

THIS PAGE LEFT BLANK INTENTIONALLY

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 11,301,656	\$ 11,646,957	\$ 10,974,784	\$ (672,173)
In Lieu Tax Payments	135,325	135,325		(135,325)
Excess Fees	210,000	347,236	348,822	1,586
Licenses and Permits	161,200	161,200	77,305	(83,895)
Intergovernmental	2,716,552	2,802,689	2,842,837	40,148
Charges for Services	43,975	48,928	40,407	(8,521)
Miscellaneous	470,643	1,039,645	875,383	(164,262)
Interest	1,750	1,750	2,203	453
Total Receipts	<u>15,041,101</u>	<u>16,183,730</u>	<u>15,161,741</u>	<u>(1,021,989)</u>
DISBURSEMENTS				
General Government	5,545,216	5,545,216	5,549,762	(4,546)
Protection to Persons and Property	330,350	330,350	481,587	(151,237)
General Health and Sanitation	267,954	267,954	268,871	(917)
Recreation and Culture	919,776	919,776	688,309	231,467
Debt Service	610,411	610,411	559,469	50,942
Administration	2,720,242	4,017,658	3,569,165	448,493
Total Disbursements	<u>10,393,949</u>	<u>11,691,365</u>	<u>11,117,163</u>	<u>574,202</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,647,152</u>	<u>4,492,365</u>	<u>4,044,578</u>	<u>(447,787)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		154,787	155,040	253
Bond Sale Proceeds			2,100,000	2,100,000
Bond Premium			23,561	23,561
Bond Underwriter's Discount			(23,976)	(23,976)
Payment to Capitalized Interest Fund			(47,206)	(47,206)
Payroll Revolving Account			(39,702)	(39,702)
Transfers From Other Funds			1,192,216	1,192,216
Transfers To Other Funds	(5,394,653)	(5,394,653)	(7,661,964)	(2,267,311)
Total Other Adjustments to Cash (Uses)	<u>(5,394,653)</u>	<u>(5,239,866)</u>	<u>(4,302,031)</u>	<u>937,835</u>
Net Change in Fund Balance	(747,501)	(747,501)	(257,453)	490,048
Fund Balance - Beginning (Restated)	<u>750,000</u>	<u>750,000</u>	<u>460,597</u>	<u>(289,403)</u>
Fund Balance - Ending	<u>\$ 2,499</u>	<u>\$ 2,499</u>	<u>\$ 203,144</u>	<u>\$ 200,645</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,206,068	\$ 1,348,971	\$ 1,200,191	\$ (148,780)
Charges for Services	105,412	105,412	84,470	(20,942)
Miscellaneous	5,300	5,300	1,362	(3,938)
Interest	200	200	315	115
Total Receipts	<u>1,316,980</u>	<u>1,459,883</u>	<u>1,286,338</u>	<u>(173,545)</u>
DISBURSEMENTS				
General Government	2,000	2,000	1,808	192
Roads	1,862,730	1,862,730	1,647,918	214,812
Debt Service	147,868	147,868		147,868
Administration	493,217	754,124	440,000	314,124
Total Disbursements	<u>2,505,815</u>	<u>2,766,722</u>	<u>2,089,726</u>	<u>676,996</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,188,835)</u>	<u>(1,306,839)</u>	<u>(803,388)</u>	<u>503,451</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,188,835	1,188,835	900,000	(288,835)
Transfers To Other Funds			(148,450)	(148,450)
Total Other Adjustments to Cash (Uses)	<u>1,188,835</u>	<u>1,188,835</u>	<u>751,550</u>	<u>(437,285)</u>
Net Change in Fund Balance		(118,004)	(51,838)	66,166
Fund Balance - Beginning		<u>118,004</u>	<u>118,004</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 66,166</u>	<u>\$ 66,166</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 758,648	\$ 1,191,909	\$ 1,258,933	\$ 67,024
Charges for Services	31,565	48,927	54,961	6,034
Miscellaneous	49,185	49,185	24,658	(24,527)
Interest	105	105	192	87
Total Receipts	<u>839,503</u>	<u>1,290,126</u>	<u>1,338,744</u>	<u>48,618</u>
DISBURSEMENTS				
Protection to Persons and Property	3,148,615	3,148,615	3,518,534	(369,919)
Debt Service	407,524	407,524		407,524
Administration	762,238	1,392,145	853,597	538,548
Total Disbursements	<u>4,318,377</u>	<u>4,948,284</u>	<u>4,372,131</u>	<u>576,153</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,478,874)</u>	<u>(3,658,158)</u>	<u>(3,033,387)</u>	<u>624,771</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,478,874	3,478,874	3,414,000	(64,874)
Transfers To Other Funds			<u>(407,522)</u>	<u>(407,522)</u>
Total Other Adjustments to Cash (Uses)	<u>3,478,874</u>	<u>3,478,874</u>	<u>3,006,478</u>	<u>(472,396)</u>
Net Change in Fund Balance		(179,284)	(26,909)	152,375
Fund Balance - Beginning		<u>179,284</u>	<u>179,285</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 152,376</u>	<u>\$ 152,376</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 55,000	\$ 210,991	\$ 222,426	\$ 11,435
Miscellaneous			30,000	30,000
Interest	30	30	269	239
Total Receipts	<u>55,030</u>	<u>211,021</u>	<u>252,695</u>	<u>41,674</u>
DISBURSEMENTS				
General Government	800	800	16,871	(16,071)
Recreation and Culture			22,214	(22,214)
Transportation Facilities and Services			23,936	(23,936)
Roads	32,219	32,219	378,238	(346,019)
Airports	10,000	10,000	5,000	5,000
Debt Service			29,827	(29,827)
Capital Projects			17,488	(17,488)
Administration	52,011	279,483	104	279,379
Total Disbursements	<u>95,030</u>	<u>322,502</u>	<u>493,678</u>	<u>(171,176)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,000)</u>	<u>(111,481)</u>	<u>(240,983)</u>	<u>(129,502)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		71,481	363,429	291,948
Transfers To Other Funds			(18,206)	(18,206)
Total Other Adjustments to Cash (Uses)		<u>71,481</u>	<u>345,223</u>	<u>273,742</u>
Net Change in Fund Balance	(40,000)	(40,000)	104,240	144,240
Fund Balance - Beginning (Restated)	40,000	40,000	20,080	(19,920)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,320</u>	<u>\$ 124,320</u>

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

ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 31,000	\$ 60,853	\$ 71,646	\$ 10,793
Interest	5	5	28	23
Total Receipts	<u>31,005</u>	<u>60,858</u>	<u>71,674</u>	<u>10,816</u>
DISBURSEMENTS				
General Government	25,100	25,100	73,010	(47,910)
Administration	5,905	41,647		41,647
Total Disbursements	<u>31,005</u>	<u>66,747</u>	<u>73,010</u>	<u>(6,263)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(5,889)</u>	<u>(1,336)</u>	<u>4,553</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			5,582	5,582
Transfers To Other Funds			(300)	(300)
Total Other Adjustments to Cash (Uses)			<u>5,282</u>	<u>5,282</u>
Net Change in Fund Balance		(5,889)	3,946	9,835
Fund Balance - Beginning		<u>5,889</u>	<u>5,889</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,835</u>	<u>\$ 9,835</u>

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

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$	\$	\$ 10	\$ 10
Total Receipts			10	10
DISBURSEMENTS				
General Government	75,000	82,757	18,441	64,316
Total Disbursements	75,000	82,757	18,441	64,316
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(75,000)	(82,757)	(18,431)	64,326
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	75,000	75,000	15,000	(60,000)
Total Other Adjustments to Cash (Uses)	75,000	75,000	15,000	(60,000)
Net Change in Fund Balance		(7,757)	(3,431)	4,326
Fund Balance - Beginning		7,757	7,758	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,327	\$ 4,327

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

	SEWER FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 2	\$ 2	\$ 55	\$ 53
Total Receipts	<u>2</u>	<u>2</u>	<u>55</u>	<u>53</u>
DISBURSEMENTS				
Debt Service	551,967	551,967	551,444	523
Administration			500	(500)
Total Disbursements	<u>551,967</u>	<u>551,967</u>	<u>551,944</u>	<u>23</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(551,965)</u>	<u>(551,965)</u>	<u>(551,889)</u>	<u>76</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	551,944	551,944	551,944	
Total Other Adjustments to Cash (Uses)	<u>551,944</u>	<u>551,944</u>	<u>551,944</u>	
Net Change in Fund Balance	(21)	(21)	55	76
Fund Balance - Beginning	<u>21</u>	<u>21</u>	<u>548</u>	<u>527</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 603</u>	<u>\$ 603</u>

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

	ESCROW FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 438,922	\$ 280,978	\$ (157,944)
Interest			1,043	1,043
Total Receipts		438,922	282,021	(156,901)
DISBURSEMENTS				
Administration		1,002,008		1,002,008
Total Disbursements		1,002,008		1,002,008
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(563,086)	282,021	845,107
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			645,490	645,490
Transfers To Other Funds			(1,490,500)	(1,490,500)
Total Other Adjustments to Cash (Uses)			(845,010)	(845,010)
Net Change in Fund Balance		(563,086)	(562,989)	97
Fund Balance - Beginning (Restated)		563,086	563,086	
Fund Balance - Ending	\$ 0	\$ 0	\$ 97	\$ 97

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

	EMERGENCY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 300	\$ 300	\$ 1,390	\$ 1,090
Total Receipts	300	300	1,390	1,090
DISBURSEMENTS				
Protection to Persons and Property Administration	600,300	600,300	62,930	(62,930)
Total Disbursements	600,300	600,300	62,930	537,370
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(600,000)	(600,000)	(61,540)	538,460
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000	575,000	475,000
Transfers To Other Funds			(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)	100,000	100,000	425,000	325,000
Net Change in Fund Balance	(500,000)	(500,000)	363,460	863,460
Fund Balance - Beginning	500,000	500,000	501,656	1,656
Fund Balance - Ending	\$ 0	\$ 0	\$ 865,116	\$ 865,116

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

SENIOR CENTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 3,875	\$ 4,075	\$ 200
Total Receipts		3,875	4,075	200
DISBURSEMENTS				
Social Services			9,520	(9,520)
Administration		10,356		10,356
Total Disbursements		10,356	9,520	836
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,481)	(5,445)	1,036
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		3,552	2,600	(952)
Total Other Adjustments to Cash (Uses)		3,552	2,600	(952)
Net Change in Fund Balance		(2,929)	(2,845)	84
Fund Balance - Beginning		2,929	2,729	(200)
Fund Balance - Ending	\$ 0	\$ 0	\$ (116)	\$ (116)

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

	FEMA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	805,312	\$ 1,183,930	\$ 378,618
Total Receipts		805,312	1,183,930	378,618
DISBURSEMENTS				
General Government		538,487	155,394	383,093
Protection to Persons and Property		335,364	247,014	88,350
Debt Service			14,595	(14,595)
Total Disbursements		873,851	417,003	456,848
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(68,539)	766,927	835,466
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(227,700)	(227,700)
Total Other Adjustments to Cash (Uses)			(227,700)	(227,700)
Net Change in Fund Balance		(68,539)	539,227	607,766
Fund Balance - Beginning		68,539	68,539	
Fund Balance - Ending	\$	0	\$ 607,766	\$ 607,766

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

	2019 BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$ 1,224	\$ 1,254	\$ 30
Total Receipts		1,224	1,254	30
DISBURSEMENTS				
Capital Projects		1,999,589	1,976,127	23,462
Total Disbursements		1,999,589	1,976,127	23,462
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,998,365)	(1,974,873)	23,492
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,998,365	1,998,365
Total Other Adjustments to Cash (Uses)			1,998,365	1,998,365
Net Change in Fund Balance		(1,998,365)	23,492	2,021,857
Fund Balance - Beginning		1,998,365		(1,998,365)
Fund Balance - Ending	\$	0	\$ 23,492	\$ 23,492

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

	LINE OF CREDIT (LOC) FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 98	\$ 98
Total Receipts			98	98
DISBURSEMENTS				
Capital Projects		2,000,000	1,472,233	527,767
Total Disbursements		2,000,000	1,472,233	527,767
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(2,000,000)	(1,472,135)	527,865
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		2,000,000	1,472,233	(527,767)
Total Other Adjustments to Cash (Uses)		2,000,000	1,472,233	(527,767)
Net Change in Fund Balance			98	98
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 98	\$ 98

BOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

General fund, general government line item, exceeded budgeted appropriations by \$4,546.
General fund, protection to persons and property line item, exceeded budgeted appropriations by \$151,237.
General fund, general health and sanitation line item, exceeded budgeted appropriations by \$917.
Jail fund, protection to persons and property line item, exceeded budgeted appropriations by \$369,919.
LGEA fund, general government line item, exceeded budgeted appropriations by \$16,071.
LGEA fund, recreation and culture line item, exceeded budgeted appropriations by \$22,214.
LGEA fund, transportation facilities and services line item, exceeded budgeted appropriations by \$23,936.
LGEA fund, roads line item, exceeded budgeted appropriations by \$346,019.
LGEA fund, debt service line item, exceeded budgeted appropriations by \$29,827.
LGEA fund, capital projects line item, exceeded budgeted appropriations by \$17,488.
Economic development fund, general government line item, exceeded budgeted appropriations by \$47,910.
Sewer fund, administration line item, exceeded budgeted appropriations by \$500.
Emergency fund, protection to persons and property line item, exceeded budgeted appropriations by \$62,930.
Senior center fund, social services line item, exceeded budgeted appropriations by \$9,520.
FEMA fund, debt service line item, exceeded budgeted appropriations by \$14,595.

BOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of MILITARY AFFAIRS</u>				
<i>Direct Program</i>				
PUBLIC ASSISTANCE PROGRAM FEMA DR 4428-KY	97.036			\$ 781,635.55
FEMA DR 4361-KY	97.036			251,468.92
FMA 2016-SRL		PON2#18 723 1		231,266.65
			-	\$ 1,264,371
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Office of Homeland Security</i>				
Program Name Emergency Management performance Grant			\$ -	\$ 105,822.90
Total U.S. Department of _____			-	\$ 105,823
<u>U. S. Department of TREASURY</u>	21.019			\$ 848,842.54
Total U.S. Department of Treasury			-	\$ 848,842.54
Total Expenditures of Federal Awards			\$ 0	\$ 2,219,036.56

The accompanying notes are an integral part of this schedule.

BOYD COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

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

Boyd 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.

**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***

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eric Chaney, Boyd County Judge/Executive
Members of the Boyd 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 Boyd County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Boyd County Fiscal Court's financial statement and have issued our report thereon dated October 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Boyd County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Boyd County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boyd 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 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-010 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items, 2020-007, 2020-008 and 2020-009 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyd County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-010.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 14, 2021

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eric Chaney, Boyd County Judge/Executive
Members of the Boyd 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 Boyd 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 Boyd County Fiscal Court's major federal programs for the year ended June 30, 2020. The Boyd 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 Boyd 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 Boyd 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Boyd County Fiscal Court's compliance.



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

Basis for Disclaimer of Opinion on CFDA 97.036 Public Assistance Grant

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient and appropriate audit evidence supporting the compliance of the Boyd County Fiscal Court with CFDA 97.036 Public Assistance Grant as described in finding number 2020-013 for Activities Allowed or Unallowed, Allowable Cost and Cost Principles, Period of Performance, Reporting, and Special Tests and Provisions. Further, as described in finding number 2020-011, the county failed to implement internal controls over federal programs. Consequently we were unable to determine whether the Boyd County Fiscal Court complied with those requirements applicable to that program.

Disclaimer of Opinion on CFDA 97.036 Public Assistance Grant

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the compliance requirements referred to above that could have a direct and material effect on the Boyd County Fiscal Court's compliance with the program requirements.

Basis for Adverse Opinion on CFDA 21.019 Coronavirus Relief Fund

As described in the accompanying schedule of findings and questioned costs, the Boyd County Fiscal Court did not comply with requirements regarding CFDA 21.019 CARES - Coronavirus Relief Fund as described in finding number 2020-012 for Activities Allowed or Unallowed, Allowable Cost and Cost Principles, and Period of Performance. Compliance with such requirements is necessary, in our opinion, for the Boyd County Fiscal Court to comply with the requirements applicable to that program.

Adverse Opinion on CFDA 21.019 Coronavirus Relief Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and finding number 2020-012, the Boyd County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 CARES - Coronavirus Relief Fund for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Boyd 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 Boyd 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 Boyd County Fiscal Court's internal control over compliance.

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

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

Report on Internal Control over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-011, 2020-012 and 2020-2013 to be material weaknesses.

The Boyd County Fiscal Court's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Boyd County Fiscal Court's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

October 14, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

BOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

BOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

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

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

Section II: Financial Statement Findings

2020-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The fiscal court's fourth quarter financial report, which serves as the county's year-end financial statement, was materially misstated. Adjustments and reclassifications were necessary to record and classify transactions properly. In order for the county's financial statement to accurately reflect receipts, 55 adjustments and reclassifications net totaling \$2,694,946 were necessary. Likewise, 36 adjustments and reclassifications net totaling \$2,333,485 were necessary for disbursements to be recorded and classified correctly on the financial statement.

According to the treasurer, she was not aware the way she recorded certain transactions was incorrect. The county did not have adequate internal controls, oversight, and review procedures in place to ensure financial activity was accurately recorded and reported in accordance with the uniform system of accounts as required.

As a result, numerous errors and misstatements occurred and were undetected, resulting in the financial statement being materially misstated. Inaccurate financial reporting is problematic because the commissioners and county judge/executive rely on financial data presented to them to be complete and accurate in order to make prudent financial decisions on behalf of the county and taxpayers. Furthermore, external organizations may use and rely on financial information reported by the county so accurate financial reporting should be a priority.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 20th day following the close of each quarter. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county treasurer thoroughly examine each account line item on the quarterly report to ensure items were posted properly. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these adjustments as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was addressed and corrected during the FY 20 audit. County has hired financial help and promoted an employee as finance officer to help treasurer with checks and balances.

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

Section II: Financial Statement Findings (Continued)

2020-002 The Fourth Quarter Liabilities Journal Was Misstated

This is a repeat finding and was included in the prior year report as finding 2019-004. The liabilities journal did not reconcile to the fiscal court's debt schedules, materially misstating debt obligations.

The principal balance misstatements over \$10,000 were as follows:

- General Obligation Bonds, Series 2010, were overstated \$159,920.
- General Obligation Bonds, Series 2011, were overstated \$1,222,700.
- General Obligation Bonds, Series 2011B, were not included on the fourth quarter report, resulting in an understatement of \$1,330,000.
- General Obligation Bonds, Series 2012, were overstated \$680,000.
- General Obligation Bonds, Series 2014, were understated \$68,208.
- General Obligation Bonds, Series 2015, were overstated \$210,000.
- First Mortgage Revenue Bonds, Series 2016, were not included on the fourth quarter report, resulting in an understatement of \$9,955,000.
- Direct borrowing for the Riverport Authority was not included on the fourth quarter report, resulting in an understatement of \$340,000.
- Direct borrowing for the jail roof was overstated \$91,470.
- Direct borrowing for trucks was not included on the fourth quarter report, resulting in an understatement of \$291,844.
- Direct borrowing for the backhoe was not included on the fourth quarter report, resulting in an understatement of \$71,585.
- Direct borrowing for the 2020 truck was not included on the fourth quarter report, resulting in an understatement of \$133,180.
- Direct borrowing for the line of credit was not included on the fourth quarter report, resulting in an understatement of \$1,472,233.
- Direct borrowing for the 2016 truck was not included on the fourth quarter report, resulting in an understatement of \$19,744.
- Direct borrowing for the lawnmower was included on the quarterly, but was paid off, and did not have a principal balance as of June 30, 2020, overstating principal debt 22,466.

The fiscal court failed to have controls in place to ensure the fourth quarter report liabilities journal was being reconciled to the debt amortization schedules. As a result, liabilities information is not accurately presented to fiscal court, Department for Local Government, and any other individuals interested in the fiscal court's financial condition.

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the debt section of the fourth quarter financial report to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate. We recommend the fiscal court ensure all debt payments are accounted for, and reported accurately on the liabilities journal.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was addressed and is in the process of being corrected.

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

Section II: Financial Statement Findings (Continued)

2020-003 Budget Amounts Are Misstated On The Quarterly Report

This is similar to a repeat finding and was included in the prior year report as finding 2019-003. Initially, the treasurer used the incorrect original budget amounts on her quarterly report approved by the Department for Local Government (DLG). Subsequently, one budget amendment was approved in the fiscal court minutes, but not by DLG. Budget amendments have to be approved by DLG in order for the fiscal court to be able to include them on their quarterly financial reports. The fiscal court cannot be given credit for the budget amendment not approved by DLG. Therefore, budget amounts were misstated on the quarterly report for the following funds:

Receipts		Total Approved Budget	Budget Per Quarterly Report	Variance
01	General Fund	\$ 11,691,364.06	11,827,468.06	(136,104.00)
76	Special Projects Fund	82,757.00	7,757.00	75,000.00
77	New Sewer Fund	551,967.43	-	551,967.43
88	Emergency Fund	600,300.00	-	600,300.00
Totals		12,926,388.49	11,835,225.06	1,091,163.43

Expenditures		Total Available Budget	Budget Per Quarterly Report	Variance
01	General Fund	\$ 11,631,364.06	11,827,468.06	(196,104.00)
04	LGEA Fund	382,502.00	322,502.00	60,000.00
80	Senior Center	10,356.00	-	10,356.00
Totals		12,024,222.06	12,149,970.06	(125,748.00)

Due to not having adequate control procedures in place, such as lack of review or monitoring, the county treasurer made a mistake that went undetected. According to the treasurer, she does not know why budget amendment was not submitted to DLG for approval. As a result, the total budgeted receipts on the quarterly report were understated by \$1,091,163 and the disbursements were overstated by \$125,748. Adjustments were required to post the approved budget amounts to the funds. Further, not getting the budget amendment approved by DLG resulted in the fiscal court exceeding their approved budget appropriations as noted in 2020-004. The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports. We recommend the approved budget amendments be accurately included on the quarterly reports so that the fiscal court and regulatory agencies such as DLG can accurately monitor the county's budget. Further, we recommend the fiscal court make sure all amendments are approved by DLG, and that approved budget amounts are accurately reflected on the quarterly report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer will follow up with DLG to ensure DLG is receiving all budget amendments.

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

Section II: Financial Statement Findings (Continued)

2020-004 The Fiscal Court's Disbursements Exceeded Approved Budget Appropriations By \$1,117,629

Disbursements exceeded approved budget appropriations for funds as follows:

General	\$156,700
Jail	369,919
LGEA	455,555
Economic Development	47,910
Sewer	500
Emergency	62,930
Senior Center	9,520
FEMA	14,595

This means that the fiscal court expended more than what they budgeted. As mentioned in finding 2020-003, this was primarily the result of a budget amendment not approved by the Department for Local Government (DLG). If the budget amendment that was not approved by DLG could have been included, the disbursements would not have exceeded appropriations as much. Due to not having adequate control procedures in place such as lack of review or monitoring, the county treasurer made a mistake that went undetected.

According to the treasurer, she does not know why the budget amendment was not submitted to DLG for approval. As a result, disbursements exceeded budgeted appropriations by \$1,117,629.

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. No member of the fiscal court shall vote for any such illegal appropriation or claim.”

We recommend the fiscal court and the county treasurer monitor the budget more closely and amend the county's budget or transfer necessary appropriations in order to prevent the county from exceeding the budget. Further, we recommend the fiscal court make sure all amendments are approved by DLG, and that approved budget amounts are accurately reflected on the quarterly report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer will follow up with DLG to ensure DLG is receiving all budget amendments.

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

Section II: Financial Statement Findings (Continued)

2020-005 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund

This is a repeat finding and was included in the prior year audit report as finding 2019-002. The fiscal court did not maintain adequate controls over the capital projects fund. No financial statement was prepared and no information regarding the activity in the fund was submitted to the fiscal court for review. This fund is for reporting of debt financing for the fiscal court and was not included on the quarterly report, per Department for Local Government guidelines. The fiscal court did not have controls in place to ensure preparation of a financial statement for the capital projects fund. By not preparing an annual financial statement, the fiscal court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in undetected fraud, errors, or misstatements. The fiscal court is financially accountable and legally obligated for the debt of the capital projects fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained and complete and accurate information is available for review. We recommend the county treasurer prepare a financial statement for the capital projects fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The capital projects fund has been addressed and treasurer will ensure a financial statement is prepared annually.

2020-006 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2019-005. During fiscal year 2020, the county treasurer prepared and deposited receipts, posted receipts to the accounting system, prepared monthly reports for fiscal court and quarterly reports for the Department for Local Government, made cash transfers between funds and bank accounts, and performed bank reconciliations for all bank accounts. The fiscal court does not have procedures in place to adequately segregate these duties. As a result, too much control by one individual increases the risk of undetected misappropriation of assets and inaccurate financial reporting. In fact, we noted numerous posting errors related to revenues. Had adequate internal controls or review procedures been implemented, these errors could have been detected and corrected. Reports prepared for the Department for Local Government and for the fiscal court were not complete and accurate due to the posting errors, which affects the ability of the fiscal court to make informed financial decisions. A sufficient internal control structure requires adequate segregation of duties. Without proper segregation, the fiscal court cannot ensure all receipts are deposited and all bank activity is appropriately documented in the accounting system. Good internal controls dictate that the same employee should not be handling, recording and reconciling cash receipts.

We recommend the fiscal court segregate incompatible duties or implement strong compensating controls to mitigate the risk identified above. The fiscal court should determine which duties should be performed by the judge/executive, his designee or the treasurer that will address these weaknesses.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county has hired extra help and promoted an employee to finance officer to help with segregation of duties.

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

Section II: Financial Statement Findings (Continued)

2020-007 The Senior Center Fund Had A Negative Reconciled Fund Balance Of (\$116)

The senior center fund had a negative reconciled fund balance of (\$116) as of June 30, 2020. According to the treasurer, she did not transfer sufficient funds from the general fund to the senior center fund timely to cover expenses. Further, the fiscal court did not have controls in place to ensure adequate funds were in the account prior to authorizing the invoice to be paid. As a result, the senior center fund expended more money than it had in the fund.

The Department for Local Government, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires purchase orders not be issued unless adequate funds are available to cover the expenditure. Also, under duties of county treasurer, the county treasurer should only countersign checks if there is sufficient fund balance and adequate cash in the bank to cover the check. Furthermore, good internal controls dictate monthly bank reconciliations are performed that provide an accurate and complete record of the county's fund balance.

We recommend the fiscal court monitor fund balances to ensure sufficient funds are available prior to authorizing and approving payments. Furthermore, if this fund had been reconciled timely, it would have been known that it was short funds.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Treasurer will ensure deposits are made in a timely manner to offset any negative balances.

2020-008 The Fiscal Court Does Not Have Adequate Internal Controls, Review, And Oversight Procedures For The Payroll Revolving Account

This is similar to a repeat finding and was included in the prior year audit report as finding 2019-007. The payroll revolving account did not reconcile to zero as of June 30, 2020, and the reconciled balance could not be readily explained. According to the information available, the bank account balance as of June 30, 2019, was \$26,023. The fiscal court had receivables of \$252,464, outstanding checks of \$1,105, and outstanding liabilities of \$317,084, leaving an unexplained reconciled balance of negative \$39,702 for fiscal year 2020. The general fund has been reduced by \$39,702 to account for the negative payroll account reconciled balance. In addition, bank reconciliations were not being prepared timely on the payroll revolving account. The fiscal court did not have controls in place to ensure that the payroll revolving account was reconciled timely, and accounted for properly. Neglecting to timely reconcile the payroll revolving account could cause the fiscal court to have insufficient funds and be unable to meet payroll obligations. Further, it could cause the fiscal court's liabilities to not be paid properly or to not be paid timely. Finally, without timely review of the transactions in the payroll revolving account (which is achieved during the reconciliation process), the risk of undetected errors or misstatements increases.

Per KRS 68.210, the state local finance officer has the authority to require a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* includes monthly bank reconciliations as a minimum requirement for all county officials. Since the payroll account is a revolving account, only funds necessary to pay employees and government agencies should be transferred from other county funds. Therefore, each month the account should reconcile to a zero balance.

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

Section II: Financial Statement Findings (Continued)

2020-008 The Fiscal Court Does Not Have Adequate Internal Controls, Review, And Oversight Procedures For The Payroll Revolving Account (Continued)

Good internal controls dictate that revolving accounts be reconciled to a zero balance. In addition, monthly bank reconciliations should be prepared and reviewed by someone independent of the reconciliation process.

We recommend the fiscal court properly reconcile the payroll revolving account to a zero balance monthly. Additionally, we recommend bank reconciliations be prepared monthly and that the bank reconciliations be reviewed by an employee independent of the reconciliation process. These reviews should be dated and initialed by both the preparer and the reviewer to document evidence of oversight, accuracy, and completeness.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This has been reviewed and corrected. The county now has adequate internal procedures and controls in place for our payroll account.

2020-009 The Jail Lacks Adequate Segregation Of Duties Over Jail Commissary Transactions

This is a repeat finding and was included in the prior year audit report as finding 2019-008. The jail lacks adequate segregation of duties over jail commissary transactions. A control deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The bookkeeper for the jail commissary prepares deposits, prepares daily checkout sheets, and post to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, posts to the disbursements ledger, and prepares monthly bank reconciliations. The Jailer has been informed of this issue and has failed segregate duties or to implement and document compensating controls sufficient to offset the weakness noted. Inadequate segregation of duties allows one person to have a significant role in processing and recording receipts and disbursements, which increases the risk that misappropriation of assets and inaccurate financial reporting will occur and be undetected. A strong internal control system requires the duties of receiving, recording, disbursing, and reporting be segregated in order to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. Although the jailer has implemented some compensating controls, such as dual signatures on checks and recounting the daily deposits, they do not eliminate the risk associated with inadequate segregation of duties. We recommend the Jailer either segregate duties adequately or implement and document these compensating controls. If these duties cannot be segregated, the jailer should implement additional compensating controls to help offset this weakness:

- Recount the daily deposit and verify that it agrees to the daily checkout sheet.
- Agree daily checkout sheet to the receipts ledger and deposit slip.
- Review the monthly reports and agree them to the receipts ledger and disbursements ledger.
- Review the monthly bank reconciliation and trace transactions to source documents.

The jailer should initial these documents as proof of his review.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The following changes were implemented days after I was made aware of the need for correction in Detention Center's previous audit. Jail Commissary Transactions have been segregated. Two deputies are receiving and overseeing commissary transactions along with the bookkeeper.

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

Section II: Financial Statement Findings (Continued)

2020-010 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated

The fiscal court's Schedule of Expenditures of Federal Awards (SEFA) was materially misstated. While the following known misstatements were made on the fiscal court's SEFA, the fiscal court failed to adequately track expenditures by grant and to ensure the SEFA was prepared by someone knowledgeable of federal program requirements. The treasurer's original SEFA total was \$1,067,327. The Coronavirus Relief Funds were overstated by \$208,484 and an ambulance grant in the amount of \$10,000 was included that is not federal. Furthermore, there were three federal grants not included on the original SEFA: Public Assistance Grants in the amount of \$1,033,104, Emergency Management Performance Grant in the amount of \$105,823, and Flood Mitigation Assistance in the amount of \$231,267. Additionally, the fiscal court failed to submit the SEFA to the Department for Local Government (DLG) and the Auditor of Public Accounts. This is a material weakness in internal controls over the SEFA's preparation and reporting.

The fiscal court was aware of this requirement but failed to fulfill the requirement to prepare and submit the SEFA to DLG. The misstatement is the result of a lack of knowledge on the correct way to track and report federal expenditures. The county treasurer prepared the original SEFA based on grant awards received rather than grant funds expended. The fiscal court failed to implement internal control procedures to ensure the SEFA was accurate and complete. Due to the failure of the county to ensure the SEFA was prepared by someone knowledgeable of federal program requirements and their failure to prepare a complete and accurate SEFA, we are unable to obtain sufficient and appropriate evidence to express an opinion on the SEFA.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which on page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). §200.502 Basis for determining Federal awards expended. (a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force. (b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section: (1) Value of new loans made or received during the audit period; plus (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus (3) Any interest subsidy, cash, or administrative cost allowance received.

2 CFR §200.510 Financial Statements (b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use.

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

Section II: Financial Statement Findings (Continued)

2020-010 The Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated (Continued)

For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must: (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the 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 must be included. (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster. (4) Include the total amount provided to subrecipients from each Federal program (5) For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule. (6) Include notes that describe that significant accounting policies used in preparing the schedule.

We recommend the fiscal court provide knowledgeable and independent oversight of SEFA preparation and ensure staff responsible for it do an effective job, perform a detailed reconciliation of the federal assistance reported by the treasurer, and establish reporting guidance and assistance to the treasurer to ensure timely, accurate and consistent information and periodically assess the effectiveness of the treasurer's records to ensure accurate reporting.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county worked diligently to make the deadline for reporting our federal funds. There were some errors that needed addressed, but the county was not able to complete the corrections in a timely manner due to the large amount of paperwork involved with our SEFA.

Section III: Federal Award Findings And Questioned Costs

2020-011 The Fiscal Court Lacks Adequate Internal Controls Over Federal Programs

Federal Program: CFDA #21.019 Coronavirus Relief Funds

Federal Agency: U.S. Department of Treasury

Pass Through Agency: Kentucky Department for Local Government

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

Questioned Costs: None

Modified Opinion: Adverse

Federal Program: CFDA #97.036, Public Assistance Grant

Federal Agency: U.S. Department of Homeland Security

Pass Through Agency: Kentucky Emergency Management

Compliance Area: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting, and Special Tests and Provisions

Questioned Costs: None

Modified Opinion: Disclaimer

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

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

2020-011 The Fiscal Court Lacks Adequate Internal Controls Over Federal Programs (Continued)

The fiscal court did not implement adequate internal controls over federal programs. There are no procedures or review processes in place to ensure that compliance requirements are met for all federal programs. The fiscal court does not define, maintain, or periodically evaluate the skills and expertise needed among its members to enable them to ask probing questions of employees managing federal programs and to take commensurate action.

Further, the fiscal court does not maintain an organizational structure that facilitates effective reporting and other communications about internal control over compliance among various functions and positions of management. The fiscal court does not have job descriptions for employees managing federal programs nor have they documented significant processes that explain the flow of transactions, controls to address key risk areas, and related reporting responsibilities. No processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct. The fiscal court also does not offer the training needed to attract, develop, and retain sufficient and competent personnel.

The fiscal court believed that they had appropriate procedures in place and did not realize that they were not sufficient. The fiscal court budgets for training in every department, however, training is not mandatory and the fiscal court does not ensure that training is sufficient for relevant employees. The fiscal court also believed that they were using job descriptions for employees outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, however, the positions of employees managing the federal programs are not outlined in the budget manual. Failure to implement internal controls over federal programs creates a greater risk that compliance requirements will not be met and increases the risk of undetected errors or misappropriation due to fraud. Due to the lack of internal controls, there were several instances of non-compliance including: the fiscal court's schedule of expenditures of federal awards was materially misstated, ineligible expenses were submitted for reimbursement, and auditors were unable to obtain sufficient audit evidence to substantiate amounts. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)

2 CFR §200.303 Internal Controls

The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal Statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designated as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

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

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

2020-011 The Fiscal Court Lacks Adequate Internal Controls Over Federal Programs (Continued)

We recommend the fiscal court implement procedures to ensure that federal programs are meeting all compliance requirements. There should be review procedures in place to ensure that all federal expenditures are allowable and fall within the correct period of performance for each federal program. The fiscal court should have job descriptions for all employees and document significant processes that explain the flow of transactions, controls to address key risk areas, and related reporting responsibilities. The fiscal court should also ensure that all employees receive sufficient training in relevant areas to ensure that they attract, develop, and retain sufficient and competent personnel.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county has reviewed our federal programs guidelines and we are trying to locate training on this also. The county has placed an employee with staff to handle the paperwork concerning our federal funds.

2020-012 The Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Federal Program: CFDA 21.019 Coronavirus Relief Fund

Award Number and Year: 2100000016, Reimbursement #1

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

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

Type of Finding: Material Weakness, Noncompliance

Amount of Questioned Costs: \$51,848

Modified Opinion: Adverse

The Boyd County Fiscal Court submitted payroll expenses that did not qualify for reimbursement from the Coronavirus Relief Fund (CRF) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). During testing, the following questioned costs were noted:

- The fiscal court submitted payroll expenses incurred prior to March 1, 2020 for reimbursement from the CRF. The ineligible expense was for the sheriff's department payroll that was paid on March 13, 2020. The payroll submission causing questioned costs ran from February 24, 2020 through March 10, 2020, which included six days outside the CRF's prescribed period of performance. The amount of the county's sheriff's department gross payroll for the days in February being questioned is \$27,707.
- There were two instances in which an employee left employment through the county and received a vacation and compensatory balance payout. These payouts, totaling \$9,559, were submitted for reimbursement from the CRF.
- There were eleven instances, totaling \$7,250, in which the fiscal court received reimbursement from the CRF for salaries that were already reimbursed through other federal grants.
- The fiscal court submitted school resource officer salaries for reimbursement from the CRF in which a portion, totaling \$7,332, was already reimbursed from a school district.

The total amount of questioned costs submitted for reimbursement from the Coronavirus Relief Fund is \$51,848.

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

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

2020-012 The Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

February 2020 (Prior to period of performance):

Questioned costs were computed based on the cost of the county's sheriff department's payroll for the period of February 24, 2020 through February 29, 2020, which we were included in the March 13, 2020 payroll submission. The amount of the county sheriff department's gross payroll for the days in February being questioned is \$27,707.

Vacation and Comp time payout:

The test of timesheets noted that for two employees there was a calculation for vacation time and compensatory time payout included in their total payroll. The reimbursement request submitted for Coronavirus Relief Funds was reviewed to see if these amounts were included in the request and they were. The vacation time and compensatory time is shown separately on the employee's pay stubs, which is the amount of total questioned costs. Total vacation and compensatory time payout for the two employees is \$9,559.

Federal Grant – double reimbursement:

Questioned costs were identified during the test of timesheets when federal overtime recorded for some sheriff's deputies was noted. When comparing federal overtime reimbursement requests for High Intensity Drug Trafficking Areas (HIDTA) and from federal Highway Safety grant, several instances were noted in which the fiscal court was reimbursed for salaries that were also reimbursed from these grants, totaling \$7,250.

School Resource Officer:

Auditor is familiar with school resource officer (SRO) procedures, therefore, knew that the school districts pay for half of the school resource officer's salary. Upon review of CRF reimbursement request and SRO's pay stubs, the entire pay of this officer was reimbursed from CRF. Auditor then contacted the sheriff's office to get documentation of the school district reimbursing the sheriff's office for the SRO's salary. The school district reimbursed a flat amount (\$11,000) for January 2020 through June 2020 (six months). The flat amount (\$11,000) was divided by six and determined that the school district reimbursed \$1,833 for each month, including 4 months during the grant period of performance. Auditor multiplied \$1,833 by four to determine a total questioned cost of \$7,332.

The fiscal court did not have controls in place to ensure that staff knew the requirements and did not monitor or review to make sure requirements were followed. According to the human resource director, who completed the request for reimbursement from Coronavirus Relief Funds, she was unaware that the sheriff's office received reimbursement from other agencies and/or grants.

As a result, the Boyd County Fiscal Court submitted payroll expenses that did not qualify for reimbursement from the Coronavirus Relief Fund administered by the Commonwealth of Kentucky's Department for Local Government (DLG). This resulted in \$51,848 of questioned costs.

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

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021

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

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

2020-012 The Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).” Additionally, CFR 200.303 states: “The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

We recommend the Boyd County Fiscal Court contact the Department for Local Government (DLG) for guidance on how to resolve these issues. We also recommend the Boyd County Fiscal Court strengthen controls over federal awards by implementing a review process to catch and resolve these matters going forward.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The county has corrected this and resubmitted our correct amount.

2020-013 Schedule Of Expenditures Of Federal Awards Did Not Provide Sufficient And Appropriate Evidence Supporting The Compliance With CFDA 97.036 Public Assistance Grant

Federal Program: CFDA #97.036, Public Assistance Grant
 Federal Agency: U.S. Department of Homeland Security
 Pass Through Agency: Kentucky Emergency Management
 Compliance Area: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Reporting, and Special Tests and Provisions
 Questioned Costs: None
 Modified Opinion: Disclaimer

We were unable to obtain sufficient and appropriate audit evidence supporting the compliance of Boyd County Fiscal Court with CFDA 97.036 Public Assistance Grant. The county provided auditors with an updated Schedule of Expenditures of Federal Awards (SEFA) that included \$1,033,104 in CFDA 97.036 Public Assistance Grant funds. However, auditors were unable to substantiate the source of this number or trace it to the county’s underlying financial records. Based on information obtained, there are 22 instances of known expenses that were omitted from the SEFA totaling \$313,206. Further, there were eight expenditures included on the SEFA totaling \$17,988 that were included on the SEFA but were actually outside the fiscal year and should not have been included.

The fiscal court was aware of this requirement but failed to fulfill the requirement to prepare and submit the SEFA to DLG. The misstatement is the result of a lack of knowledge on the correct way to track and report federal expenditures. The county treasurer prepared the original SEFA based on grant awards received rather than grant funds expended. The fiscal court failed to implement internal control procedures to ensure the SEFA was accurate and complete. As a result, we were unable to determine whether Boyd County Fiscal Court complied with those requirements applicable to that program.

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

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

2020-013 The Schedule Of Expenditures Of Federal Awards Did Not Provide Sufficient And Appropriate Evidence Supporting The Compliance With CFDA 97.036 Public Assistance Grant (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which on page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts. Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)

2 CFR §200.502 Basis for determining Federal awards expended.

(a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force. (b) Loan and loan guarantees (loans). Since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

- (1) Value of new loans made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

2 CFR §200.510 Financial Statements

(b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the 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 must be included.

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

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

2020-013 The Schedule Of Expenditures Of Federal Awards Did Not Provide Sufficient And Appropriate Evidence Supporting The Compliance With CFDA 97.036 Public Assistance Grant (Continued)

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program

(5) For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule...

We recommend the fiscal court provide knowledgeable and independent oversight of SEFA preparation and ensure staff responsible for it do an effective job, perform a detailed reconciliation of the federal assistance reported by the treasurer, and establish reporting guidance and assistance to the treasurer to ensure timely, accurate and consistent information and periodically assess the effectiveness of the treasurer's records to ensure accurate reporting.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Our records were being kept offsite by federal project dates and not fiscal year dates. Due to several employees handling the paperwork, we inadvertently had invoices included that were in the wrong fiscal year that the treasurer reported on the SEFA. This is now being monitored closely.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

BOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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



County Judge/Executive



County Treasurer