

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Eric Chaney, Boyd County Judge/Executive
The Honorable Steve Towler, Former 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, 2019, 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.



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Auditor's Responsibility (Continued)

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

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, 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Boyd County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary 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 (supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 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 Responses herein, which discusses the following report findings:

- 2019-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated
- 2019-002 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund
- 2019-003 The Sewer Fund Budget Was Understated On The Financial Statement
- 2019-004 The Fourth Quarter Liabilities Journal Was Materially Misstated
- 2019-005 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations
- 2019-006 The Jailer Did Not Follow Proper Procedures For Advertising Bids Per State Law
- 2019-007 The Fiscal Court Does Not Have Adequate Internal Controls, Review, And Oversight Procedures For the Payroll Revolving Account
- 2019-008 The Jail Lacks Adequate Segregation Of Duties Over Jail Commissary Transactions

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

April 26, 2021

BOYD COUNTY OFFICIALS
For The Year Ended June 30, 2019

Fiscal Court Members:

Steve Towler (7/1/2018 - 12/31/2018)	County Judge/Executive
Eric Chaney (1/7/2019 - present)	County Judge/Executive
Ed Radjunas (7/1/2018 - 12/31/2018)	Deputy Judge/Executive
John Greer (7/1/2018 - 12/31/2018)	Commissioner
Keith Watts (1/7/2019 - present)	Commissioner
Carl Tolliver (7/1/2018 - 12/31/2018)	Commissioner
Randy Stapleton (1/7/2019 - present)	Commissioner
Tom Jackson (7/1/2018 - 12/31/2018)	Commissioner
Larry Brown (1/7/2019 - present)	Commissioner

Other Elected Officials:

Phillip Hedrick	County Attorney
Joe Burchett (7/1/2018 - 12/2/2018)	Jailer
William Hensley (12/3/2018 - present)	Jailer
Debbie Jones	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
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BOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 11,743,164	\$	\$
In Lieu Tax Payments	135,318		
Excess Fees	266,730		
Licenses and Permits	109,044		
Intergovernmental	3,290,045	1,312,832	1,091,844
Charges for Services	46,527	106,141	34,660
Miscellaneous	464,851	6,176	99,701
Interest	2,086	185	111
Total Receipts	<u>16,057,765</u>	<u>1,425,334</u>	<u>1,226,316</u>
DISBURSEMENTS			
General Government	5,115,672		
Protection to Persons and Property	1,112,830		2,972,659
General Health and Sanitation	303,556	2,023	
Social Services	134,003		
Recreation and Culture	605,938		
Transportation Facility and Services			
Roads		2,251,775	
Airports			
Debt Service	560,409		
Administration	3,078,507	427,145	550,151
Total Disbursements	<u>10,910,915</u>	<u>2,680,943</u>	<u>3,522,810</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,146,850</u>	<u>(1,255,609)</u>	<u>(2,296,494)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	289,925		
Transfers From Other Funds	124,400	1,501,244	2,895,000
Transfers To Other Funds	(5,544,094)	(150,274)	(407,296)
Total Other Adjustments to Cash (Uses)	<u>(5,129,769)</u>	<u>1,350,970</u>	<u>2,487,704</u>
Net Change in Fund Balance	17,081	95,361	191,210
Fund Balance - Beginning (Restated)	<u>1,002,122</u>	<u>22,643</u>	<u>(11,925)</u>
Fund Balance - Ending	<u>\$ 1,019,203</u>	<u>\$ 118,004</u>	<u>\$ 179,285</u>
Composition of Fund Balance			
Bank Balance	\$ 1,114,026	\$ 143,144	\$ 230,945
Less: Outstanding Checks	<u>(94,823)</u>	<u>(25,140)</u>	<u>(51,660)</u>
Fund Balance - Ending	<u>\$ 1,019,203</u>	<u>\$ 118,004</u>	<u>\$ 179,285</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, 2019
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Economic Development Fund	Special Projects Fund	Sewer Fund	Emergency Fund
\$	\$	\$	\$	\$
96,166				
	27,330	1		
49	4	12	337	476
<u>96,215</u>	<u>27,334</u>	<u>13</u>	<u>337</u>	<u>476</u>
1,400	26,607	165,655		
39,161				
65,329				
10,000				
22,466			551,994	
<u>138,356</u>	<u>26,607</u>	<u>165,655</u>	<u>551,994</u>	
<u>(42,141)</u>	<u>727</u>	<u>(165,642)</u>	<u>(551,657)</u>	<u>476</u>
	33,000	172,200	551,997	150,000
(6,244)	(31,000)			(124,400)
<u>(6,244)</u>	<u>2,000</u>	<u>172,200</u>	<u>551,997</u>	<u>25,600</u>
(48,385)	2,727	6,558	340	26,076
67,665	3,162	1,200	208	475,580
<u>\$ 19,280</u>	<u>\$ 5,889</u>	<u>\$ 7,758</u>	<u>\$ 548</u>	<u>\$ 501,656</u>
\$ 30,306	\$ 6,388	\$ 7,899	\$ 548	\$ 501,656
(11,026)	(499)	(141)		
<u>\$ 19,280</u>	<u>\$ 5,889</u>	<u>\$ 7,758</u>	<u>\$ 548</u>	<u>\$ 501,656</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, 2019
(Continued)

	<u>Unbudgeted Funds</u>				
	<u>Capital Projects Fund</u>	<u>FEMA Fund</u>	<u>Senior Center Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS					
Taxes	\$	\$	\$	\$	\$ 11,743,164
In Lieu Tax Payments					135,318
Excess Fees					266,730
Licenses and Permits					109,044
Intergovernmental	309,100	85,670			6,185,657
Charges for Services					187,328
Miscellaneous			4,302	141,082	743,443
Interest	2,587			44	5,891
Total Receipts	<u>311,687</u>	<u>85,670</u>	<u>4,302</u>	<u>141,126</u>	<u>19,376,575</u>
DISBURSEMENTS					
General Government		14,182			5,323,516
Protection to Persons and Property		3,343			4,088,832
General Health and Sanitation					305,579
Social Services			1,573		135,576
Recreation and Culture				138,428	744,366
Transportation Facility and Services					39,161
Roads					2,317,104
Airports					10,000
Debt Service	1,047,070				2,181,939
Administration	1,500				4,057,303
Total Disbursements	<u>1,048,570</u>	<u>17,525</u>	<u>1,573</u>	<u>138,428</u>	<u>19,203,376</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(736,883)</u>	<u>68,145</u>	<u>2,729</u>	<u>2,698</u>	<u>173,199</u>
Other Adjustments to Cash (Uses)					
Financing Obligation Proceeds					289,925
Transfers From Other Funds	835,467				6,263,308
Transfers To Other Funds					(6,263,308)
Total Other Adjustments to Cash (Uses)	<u>835,467</u>				<u>289,925</u>
Net Change in Fund Balance	98,584	68,145	2,729	2,698	463,124
Fund Balance - Beginning (Restated)	525,214	394		39,885	2,126,148
Fund Balance - Ending	<u>\$ 623,798</u>	<u>\$ 68,539</u>	<u>\$ 2,729</u>	<u>\$ 42,583</u>	<u>\$ 2,589,272</u>
Composition of Fund Balance					
Bank Balance	\$ 623,798	\$ 68,610	\$ 2,948	\$ 46,422	\$ 2,776,690
Less: Outstanding Checks		(71)	(219)	(3,839)	(187,418)
Fund Balance - Ending	<u>\$ 623,798</u>	<u>\$ 68,539</u>	<u>\$ 2,729</u>	<u>\$ 42,583</u>	<u>\$ 2,589,272</u>

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

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TO THE FINANCIAL STATEMENT**

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BOYD COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

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, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants 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 rental of the Boyd County Community Center.

Special Projects Fund - The primary purpose of this fund is to account for major building projects around the county. The primary sources 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.

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.

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. The primary sources of receipts for this fund are federal and state grants, space rental, and transfers from the general, road and jail funds.

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 are federal and state 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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. The Department for Local Government does require the fiscal court to report and budget this fund.

D. Budgetary Information

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

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

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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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 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.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

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

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

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

	General Fund	Road Fund	Jail Fund	LGEA Fund	Economic Development Fund	Emergency Fund	Total Transfers In
General Fund	\$	\$	\$	\$	\$	\$ 124,400	\$ 124,400
Road Fund	1,495,000			6,244			1,501,244
Jail Fund	2,895,000						2,895,000
Economic Development Fund	33,000						33,000
Special Projects Fund	141,200				31,000		172,200
Emergency Fund	150,000						150,000
Sewer Fund	551,997						551,997
Capital Projects Fund	277,897	\$ 150,274	\$ 407,296				835,467
Total Transfers Out	<u>\$ 5,544,094</u>	<u>\$ 150,274</u>	<u>\$ 407,296</u>	<u>\$ 6,244</u>	<u>\$ 31,000</u>	<u>\$ 124,400</u>	<u>\$ 6,263,308</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$12,225.

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 disbursing 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 \$13,039 and \$3,753.

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

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, 2019, are as follows:

Fiscal Year Ending June 30	Amount
2020	\$ 117,785
2021	61,950
2022	<u>8,900</u>
Totals	<u>\$ 188,635</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 agreement 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. 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 \$355,000 at June 30, 2019. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 15,000	\$ 14,723
2021	15,000	14,084
2022	15,000	13,452
2023	20,000	12,620
2024	20,000	11,789
2025-2029	115,000	45,059
2030-2034	<u>155,000</u>	<u>15,180</u>
Totals	<u>\$ 355,000</u>	<u>\$ 126,907</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Sheriff's Vehicles

On May 26, 2016, the Boyd County Fiscal Court entered into a direct borrowing agreement 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 3, 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. The outstanding principal at June 30, 2019, was \$99,873. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 99,873	\$ 2,319

3. Mower

On July 27, 2017, the Boyd County Fiscal Court entered into a direct borrowing agreement 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.

The outstanding principal at June 30, 2019, was \$22,167. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 22,167	\$ 299

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Jail Roof

On July 25, 2018, the Boyd County Fiscal Court entered into a direct borrowing agreement 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, 2019, was \$192,302. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 94,736	\$ 5,964
2021	97,566	3,036
Totals	<u>\$ 192,302</u>	<u>\$ 9,000</u>

5. First Mortgage Refunding Revenue Bonds, Series 2016 - Judicial Center

On February 25, 2016, the Boyd County Capital Projects Corporation issued direct placement 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, 2019, was \$11,040,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 1,085,000	\$ 298,250
2021	1,125,000	276,150
2022	1,155,000	247,575
2023	1,190,000	212,400
2024	1,220,000	178,750
2025-2028	<u>5,265,000</u>	<u>329,175</u>
Totals	<u>\$ 11,040,000</u>	<u>\$ 1,542,300</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 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, 2019, was \$1,505,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 85,000	\$ 54,675
2021	90,000	52,263
2022	90,000	49,563
2023	90,000	46,750
2024	95,000	43,744
2025-2029	535,000	158,900
2030-2033	520,000	42,600
Totals	<u>\$ 1,505,000</u>	<u>\$ 448,495</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).

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

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

The outstanding bond principal at June 30, 2019, was \$575,000. Bond payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 305,000	\$ 18,925
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
Totals	<u>\$ 575,000</u>	<u>\$ 50,088</u>

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, 2019, was \$1,430,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 100,000	\$ 54,025
2021	100,000	51,025
2022	105,000	47,775
2023	105,000	44,363
2024	110,000	40,950
2025-2029	625,000	137,277
2030-2031	285,000	18,275
Totals	<u>\$ 1,430,000</u>	<u>\$ 393,690</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

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 20th and April 20th 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, 2019, was \$5,905,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 345,000	\$ 206,444
2021	355,000	196,594
2022	365,000	185,944
2023	370,000	174,994
2024	385,000	163,894
2025-2029	2,110,000	622,156
2030-2033	1,975,000	203,200
Totals	<u>\$ 5,905,000</u>	<u>\$ 1,753,226</u>

5. General Obligation Refunding Bonds, Series 2014

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).

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

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

5. General Obligation Refunding Bonds, Series 2014 (Continued)

The outstanding principal as of June 30, 2019, was \$2,985,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 220,000	\$ 104,100
2021	225,000	99,700
2022	230,000	92,950
2023	240,000	86,050
2024	255,000	78,850
2025-2029	735,000	304,100
2030-2034	880,000	148,600
2035	200,000	8,000
Totals	<u>\$ 2,985,000</u>	<u>\$ 922,350</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). The outstanding principal at June 30, 2019, was \$1,545,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 70,000	\$ 49,458
2021	75,000	47,358
2022	75,000	45,108
2023	80,000	42,858
2024	80,000	40,458
2025-2029	435,000	164,827
2030-2034	500,000	91,676
2035-2036	230,000	12,250
Totals	<u>\$ 1,545,000</u>	<u>\$ 493,993</u>

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

Note 6. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 11,650,719	\$ 289,925	\$ 231,302	\$ 11,709,342	\$ 1,316,776
General Obligation Bonds	15,045,000		1,100,000	13,945,000	1,125,000
Total Long-term Debt	\$ 26,695,719	\$ 289,925	\$ 1,331,302	\$ 25,654,342	\$ 2,441,776

*The beginning balance for direct borrowings has been decreased by \$311 due to an error in the prior year audit.

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
2020	\$ 1,125,000	\$ 487,627	\$ 1,316,776	\$ 321,555
2021	895,000	456,715	1,237,566	293,270
2022	915,000	429,490	1,170,000	261,027
2023	940,000	401,540	1,210,000	225,020
2024	980,000	372,359	1,240,000	190,539
2025-2029	4,500,000	1,389,510	5,380,000	374,234
2030-2034	4,160,000	504,351	155,000	15,180
2035-2039	430,000	20,250		
Totals	\$ 13,945,000	\$ 4,061,842	\$ 11,709,342	\$ 1,680,825

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.

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

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2017 was \$1,477,394, FY 2018 was \$1,151,722, and FY 2019 was \$1,294,779.

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 21.48 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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, 2019
(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 an HRA account for employees to participate in for their health care needs. The fiscal court has 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, 2019, 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, 2019
(Continued)

Note 11. Conduit Debt

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

Note 12. Prior Period Adjustments

- The beginning balance of the general fund was increased \$12,781 due to voided stale dated checks and a misstatement in the prior year audit.
- The beginning balance of the road fund was increased \$125 due to voided stale dated checks.
- The beginning balance of the jail fund was increased \$768 due to voided stale dated checks.
- The beginning balance of the special projects fund decreased \$394 due to the FEMA fund being included in the special projects fund in the prior year audit. However, the FEMA fund will be shown as a separate fund now.

Note 13. Escrow Account

The fiscal court chooses to set aside or reserve part of the general fund cash balance for a potential tax refund to a taxpayer. As of June 30, 2019, the balance in the escrow account was \$563,086.

BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 11,760,027	\$ 11,818,467	\$ 11,743,164	\$ (75,303)
In Lieu Tax Payments	100,000	135,317	135,318	1
Excess Fees	210,000	264,000	266,730	2,730
Licenses and Permits	101,200	116,402	109,044	(7,358)
Intergovernmental	2,983,039	3,080,650	3,290,045	209,395
Charges for Services	50,500	50,500	46,527	(3,973)
Miscellaneous	410,117	431,215	464,851	33,636
Interest	1,500	1,500	2,086	586
Total Receipts	<u>15,616,383</u>	<u>15,898,051</u>	<u>16,057,765</u>	<u>159,714</u>
DISBURSEMENTS				
General Government	4,921,841	5,324,072	5,115,672	208,400
Protection to Persons and Property	1,624,089	1,354,910	1,112,830	242,080
General Health and Sanitation	270,899	318,129	303,556	14,573
Social Services	170,031	135,385	134,003	1,382
Recreation and Culture	810,691	865,758	605,938	259,820
Debt Service	458,622	559,198	560,409	(1,211)
Administration	3,320,459	3,461,788	3,078,507	383,281
Total Disbursements	<u>11,576,632</u>	<u>12,019,240</u>	<u>10,910,915</u>	<u>1,108,325</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,039,751</u>	<u>3,878,811</u>	<u>5,146,850</u>	<u>1,268,039</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		289,900	289,925	25
Transfers From Other Funds			124,400	124,400
Transfers To Other Funds	<u>(4,539,751)</u>	<u>(4,539,751)</u>	<u>(5,544,094)</u>	<u>(1,004,343)</u>
Total Other Adjustments to Cash (Uses)	<u>(4,539,751)</u>	<u>(4,249,851)</u>	<u>(5,129,769)</u>	<u>(879,918)</u>
Net Change in Fund Balance	(500,000)	(371,040)	17,081	388,121
Fund Balance - Beginning (Restated)	<u>500,000</u>	<u>989,341</u>	<u>1,002,122</u>	<u>12,781</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 618,301</u>	<u>\$ 1,019,203</u>	<u>\$ 400,902</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,280,251	\$ 1,382,892	\$ 1,312,832	\$ (70,060)
Charges for Services	85,000	85,000	106,141	21,141
Miscellaneous	36,000	36,000	6,176	(29,824)
Interest	200	200	185	(15)
Total Receipts	<u>1,401,451</u>	<u>1,504,092</u>	<u>1,425,334</u>	<u>(78,758)</u>
DISBURSEMENTS				
General Health and Sanitation	2,200	2,200	2,023	177
Roads	2,307,146	2,322,472	2,251,775	70,697
Debt Service	150,336	150,336		150,336
Administration	523,888	633,721	427,145	206,576
Total Disbursements	<u>2,983,570</u>	<u>3,108,729</u>	<u>2,680,943</u>	<u>427,786</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,582,119)</u>	<u>(1,604,637)</u>	<u>(1,255,609)</u>	<u>349,028</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,582,119	1,582,119	1,501,244	(80,875)
Transfers To Other Funds			(150,274)	(150,274)
Total Other Adjustments to Cash (Uses)	<u>1,582,119</u>	<u>1,582,119</u>	<u>1,350,970</u>	<u>(231,149)</u>
Net Change in Fund Balance		(22,518)	95,361	117,879
Fund Balance - Beginning (Restated)		<u>22,518</u>	<u>22,643</u>	<u>125</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,004</u>	<u>\$ 118,004</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 966,750	\$ 966,750	\$ 1,091,844	\$ 125,094
Charges for Services	34,800	34,800	34,660	(140)
Miscellaneous	36,000	81,897	99,701	17,804
Interest	250	250	111	(139)
Total Receipts	<u>1,037,800</u>	<u>1,083,697</u>	<u>1,226,316</u>	<u>142,619</u>
DISBURSEMENTS				
Protection to Persons and Property	2,407,868	2,972,659	2,972,659	
Debt Service	407,299	407,296		407,296
Administration	618,265	550,151	550,151	
Total Disbursements	<u>3,433,432</u>	<u>3,930,106</u>	<u>3,522,810</u>	<u>407,296</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,395,632)</u>	<u>(2,846,409)</u>	<u>(2,296,494)</u>	<u>549,915</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,395,632	2,395,632	2,895,000	499,368
Transfers To Other Funds			(407,296)	(407,296)
Total Other Adjustments to Cash (Uses)	<u>2,395,632</u>	<u>2,395,632</u>	<u>2,487,704</u>	<u>92,072</u>
Net Change in Fund Balance		(450,777)	191,210	641,987
Fund Balance - Beginning (Restated)			(11,925)	(11,925)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (450,777)</u>	<u>\$ 179,285</u>	<u>\$ 630,062</u>

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 39,307	\$ 72,251	\$ 96,166	\$ 23,915
Interest			49	49
Total Receipts	<u>39,307</u>	<u>72,251</u>	<u>96,215</u>	<u>23,964</u>
DISBURSEMENTS				
General Government	800	1,400	1,400	
Transportation Facilities and Services		39,161	39,161	
Roads	32,219	65,329	65,329	
Airports	10,000	10,000	10,000	
Debt Service		22,466	22,466	
Administration	46,288	1,560		1,560
Total Disbursements	<u>89,307</u>	<u>139,916</u>	<u>138,356</u>	<u>1,560</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(67,665)</u>	<u>(42,141)</u>	<u>25,524</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(6,244)	(6,244)
Total Other Adjustments to Cash (Uses)			<u>(6,244)</u>	<u>(6,244)</u>
Net Change in Fund Balance	(50,000)	(67,665)	(48,385)	19,280
Fund Balance - Beginning	<u>50,000</u>	<u>67,665</u>	<u>67,665</u>	<u>(0)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,280</u>	<u>\$ 19,280</u>

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

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 24,000	\$ 24,000	\$ 27,330	\$ 3,330
Interest			4	4
Total Receipts	<u>24,000</u>	<u>24,000</u>	<u>27,334</u>	<u>3,334</u>
DISBURSEMENTS				
General Government	26,000	26,607	26,607	
Administration		555		555
Total Disbursements	<u>26,000</u>	<u>27,162</u>	<u>26,607</u>	<u>555</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,000)</u>	<u>(3,162)</u>	<u>727</u>	<u>3,889</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			33,000	33,000
Transfers To Other Funds			(31,000)	(31,000)
Total Other Adjustments to Cash (Uses)			<u>2,000</u>	<u>2,000</u>
Net Change in Fund Balance	(2,000)	(3,162)	2,727	5,889
Fund Balance - Beginning	2,000	3,162	3,162	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,889</u>	<u>\$ 5,889</u>

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

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 25,000	\$ 1	\$ (24,999)
Interest			12	12
Total Receipts		25,000	13	(24,987)
DISBURSEMENTS				
General Government	10,000	167,000	165,655	1,345
Administration		19,200		19,200
Total Disbursements	10,000	186,200	165,655	20,545
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(161,200)	(165,642)	(4,442)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	172,200	162,200
Total Other Adjustments to Cash (Uses)	10,000	10,000	172,200	162,200
Net Change in Fund Balance		(151,200)	6,558	157,758
Fund Balance - Beginning (Restated)		1,200	1,200	
Fund Balance - Ending	\$ 0	\$ (150,000)	\$ 7,758	\$ 157,758

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

	SEWER FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 337	\$ 337
Total Receipts			337	337
DISBURSEMENTS				
Debt Service	552,000	552,000	551,994	6
Total Disbursements	552,000	552,000	551,994	6
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(552,000)	(552,000)	(551,657)	343
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	552,000	552,000	551,997	(3)
Total Other Adjustments to Cash (Uses)	552,000	552,000	551,997	(3)
Net Change in Fund Balance			340	340
Fund Balance - Beginning			208	208
Fund Balance - Ending	\$ 0	\$ 0	\$ 548	\$ 548

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

	EMERGENCY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 476	\$ 476
Total Receipts			476	476
DISBURSEMENTS				
Administration	475,000	475,000		475,000
Total Disbursements	475,000	475,000		475,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(475,000)	(475,000)	476	475,476
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			150,000	150,000
Transfers To Other Funds			(124,400)	(124,400)
Total Other Adjustments to Cash (Uses)			25,600	25,600
Net Change in Fund Balance	(475,000)	(475,000)	26,076	501,076
Fund Balance - Beginning	475,000	475,000	475,580	580
Fund Balance - Ending	\$ 0	\$ 0	\$ 501,656	\$ 501,656

BOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Excess of Disbursements Over Appropriations

General fund, debt service line item, exceeded budgeted appropriations by \$1,211.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eric Chaney, Boyd County Judge/Executive
The Honorable Steve Towler, Former 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, 2019, 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 April 26, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 Responses, 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 Responses as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005 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 Responses as items 2019-006, 2019-007, and 2019-008 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, and 2019-004.

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 Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 26, 2021

**BOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**BOYD COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Fiscal Court's Fourth Quarter Financial Report Was Materially Misstated

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, 36 adjustments and reclassifications net totaling \$1,309,941 were necessary. Likewise, 14 adjustments and reclassifications net totaling \$674,063 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 control, 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: Due to accounting database system issue, it was not pulling over line item amounts onto treasurer's quarterly report. We are continuing to work with the accounting software administrator to resolve this problem.

Auditor's Reply: Most of the corrections to the financial statement were reclassifications. The information was in the accounting system, but had been categorized incorrectly.

2019-002 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund

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 not included on the quarterly report, per Department for Local Government guidelines. Receipts for this fund during fiscal year 2019 totaled \$311,687 and disbursements totaled \$1,048,570 so there is significant activity to be accounted for.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Fiscal Court Did Not Establish Adequate Controls Over The Capital Projects Fund (Continued)

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 occurring.

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 that is submitted to the fiscal court for review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer is in the process of reviewing and preparing annual reconciliation reports of our Capital Projects account which is a separate account from the normal bank accounts that are reported to DLG. Treasurer is working on reconciling this account.

2019-003 The Sewer Fund Budget Was Understated On The Financial Statement

Total budget for the sewer fund disbursements on the fourth quarter report (which serves as the fiscal court's annual financial statement) was zero, while the approved budget on the original budget for the sewer fund disbursements was \$552,000.

An error was made when entering the approved budget amendments into the computer system which was not detected by those preparing and reviewing the quarterly reports.

As a result, the amount on the quarterly report for sewer fund total available budget appropriations was inaccurate. The amount was understated by \$551,994. An adjustment was required to post the approved budget amount to the sewer fund for \$551,994 of debt service payments.

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.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Due to software issues, sewer account was not on my quarterly report. Treasurer will double check the quarterly report before submitting. Problem was addressed with the accounting software administrator.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Fourth Quarter Liabilities Journal Was Materially Misstated

This is a repeat finding and was included in the prior year audit report as finding 2018-003. 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 \$1,430,000.
- General Obligation Bonds, Series 2012, were overstated \$625,000.
- General Obligation Bonds, Series 2014, were understated \$68,208.
- General Obligation Bonds, Series 2015, were overstated \$140,000.
- Revenue Bonds, Series 2016, were not included on the fourth quarter report, resulting in an understatement of \$11,040,000.
- Riverport Authority debt was not included on the fourth quarter report, resulting in an understatement of \$355,000.
- Sheriff's vehicles debt were overstated \$99,076.

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 (DLG), and any other individuals interested in the fiscal court's financial condition. The debt balances will have a significant, long term financial impact so it is imperative that complete and correct balances are maintained to aid in the fiscal court's financial decision making.

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: Liabilities journal is being reviewed for accuracy and I am in the process of updating this information.

2019-005 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 2018-004. During fiscal year 2019, the county treasurer prepared and deposited receipts, posted receipts to the accounting system, prepared monthly reports for the fiscal court and quarterly reports for the Department for Local Government (DLG), made cash transfers between funds and bank accounts, and performed bank reconciliations for all bank accounts. While some compensating controls are in place, including the preparation of a receipts log by the finance officer, it is not sufficient.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations
 (Continued)

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 DLG 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 county 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 now has a finance officer that will be reviewing all bank reconciliations.

2019-006 The Jailer Did Not Follow Proper Procedures For Advertising Bids Per State Law

The jailer did not follow proper procedures for advertising bids as required by state law. There were 10 disbursements to a food service vendor for \$30,000 or more for the same type service to the same company not advertised in the newspaper as required per KRS 424.260. It was reasonably expected for this service and this vendor to exceed the bid threshold for the fiscal year. The jailer did not have controls in place to ensure that staff knew the requirements or did not monitor/review to make sure requirements were followed. The jailer is not in compliance with KRS 424.260. Competitive bidding ensures that the fiscal court procures materials and services at the best price available.

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids.”

We recommend the jailer comply with KRS 424.260 by advertising bids in the newspaper when expenditures with the same vendor for like type goods or services exceeds \$30,000 in a fiscal year.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This audit year was prior to current administration. Upon taking over as Boyd County Jailer, jail started following the state procurement process. On May 28, 2019, the Jailer put out bids for all items over \$20,000 in accordance with state law. Jail continues to bid out items over \$30,000 as per KRS 424.260.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-007 The Fiscal Court Does Not Have Adequate Internal Controls, Review, And Oversight Procedures For The Payroll Revolving Account

The payroll revolving account did not reconcile to zero as of June 30, 2019. The reconciled balance and the transactions that affect the balance could not be readily explained. According to the information available, the bank account balance as of June 30, 2019, was \$61,908. The fiscal court had receivables of \$224,054, outstanding checks of \$1,740, and outstanding liabilities of \$288,677, leaving an unexplained reconciled balance of (\$4,455) for fiscal year 2019. In addition, bank reconciliations were not being prepared timely for 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. 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 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: As for the negative balance, the treasurer did not transfer enough money from other funds to cover expenses taken out of payroll account. This was not a negative cash balance. The payroll account is supposed to reconcile to zero each month.

2019-008 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 2018-005. The jail lacks adequate segregation of duties over jail commissary transactions. A 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 posts 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 to segregate duties or to implement and document compensating controls sufficient to offset the weakness noted.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-008 The Jail Lacks Adequate Segregation Of Duties Over Jail Commissary Transactions (Continued)

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. 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. We recommend the jailer either segregate duties adequately or implement and document these compensating controls.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This audit year was prior to current administration. Jail has instituted a full time Commissary Deputy. Along with other duties, this deputy shall verify the daily deposits, receipts ledger and deposit slips match the daily checkout sheet prepared by the Bookkeeper. The Jailer or his Chief Deputy shall review the monthly reports and monthly bank reconciliation and trace transactions and sign off on reports.

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

BOYD COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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