

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

**For The Year Ended
June 30, 2017**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle 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 Boyle County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Boyle County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Boyle 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 Boyle County Fiscal Court as of June 30, 2017, 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 Boyle County Fiscal Court as of June 30, 2017, 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 Boyle County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
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Members of the Boyle County Fiscal Court

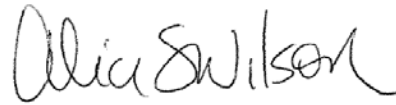
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of the Boyle 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 Boyle County Fiscal Court's internal control over financial reporting and compliance.

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

2017-001 The Fiscal Court Did Not Have Adequate Controls In Place Over Capital Assets

Respectfully submitted,



Alice Wilson, CPA
Assistant Auditor of Public Accounts

March 5, 2018

BOYLE COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Harold McKinney	County Judge/Executive
Dickie Mayes	Magistrate
Donnie Coffman	Magistrate
Phillip R. Sammons	Magistrate
Jack Hendricks	Magistrate
Patty Burke	Magistrate
John Caywood	Magistrate

Other Elected Officials:

Lynne Dean	County Attorney
Barry Harmon	Jailer
Trille Bottom	County Clerk
Cortney Shewmaker	Circuit Court Clerk
Derek Robbins	Sheriff
Eddie Tamme	Property Valuation Administrator
Donald Hamner	Coroner

Appointed Personnel:

Mary Conley	County Treasurer
Susanna Ryan	Occupational Tax Administrator
Jacob Pankey	Finance Officer

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Joint Jail Fund</u>
RECEIPTS			
Taxes	\$ 6,601,053	\$	\$
Excess Fees	343,664		
Licenses and Permits	39,600		
Intergovernmental	445,838	1,113,365	2,267,647
Charges for Services	175,418		259,474
Miscellaneous	393,723	923	216,516
Interest	65,065	1,636	334
Total Receipts	<u>8,064,361</u>	<u>1,115,924</u>	<u>2,743,971</u>
DISBURSEMENTS			
General Government	2,720,653		
Protection to Persons and Property	190,145		2,805,036
General Health and Sanitation	1,291,163		
Social Services	104,800		
Recreation and Culture	439,508		
Transportation Facility and Services		20,789	
Roads		646,965	
Airports	15,167		
Bus Services			
Debt Service	240,270		461,424
Capital Projects	30,000	305,113	
Administration	128,020	283,364	919,825
Total Disbursements	<u>5,159,726</u>	<u>1,256,231</u>	<u>4,186,285</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,904,635</u>	<u>(140,307)</u>	<u>(1,442,314)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		100,000	1,323,676
Transfers To Other Funds	(2,398,676)		
Total Other Adjustments to Cash (Uses)	<u>(2,398,676)</u>	<u>100,000</u>	<u>1,323,676</u>
Net Change in Fund Balance	505,959	(40,307)	(118,638)
Fund Balance - Beginning	<u>4,457,522</u>	<u>101,164</u>	<u>532,113</u>
Fund Balance - Ending	<u>\$ 4,963,481</u>	<u>\$ 60,857</u>	<u>\$ 413,475</u>
Composition of Fund Balance			
Bank Balance	\$ 5,026,605	\$ 65,807	\$ 471,857
Plus: Deposits In Transit	9,588		
Less: Outstanding Checks	(72,712)	(4,950)	(58,382)
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 4,963,481</u>	<u>\$ 60,857</u>	<u>\$ 413,475</u>

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

BOYLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grant Fund	Emergency 911 Fund	Federal Grant Fund	Boyle Jail Fund	Emergency Medical Services Fund
\$	\$	\$ 46,267	\$	\$	\$
41,842		166,609	30,000		10,000
					1,305,568
					2,148
4		4,409		2	110
<u>41,846</u>		<u>217,285</u>	<u>30,000</u>	<u>2</u>	<u>1,317,826</u>
		199,084		658	1,494,395
34,669					
				1,102	811,668
<u>34,669</u>		<u>199,084</u>		<u>1,760</u>	<u>2,306,063</u>
7,177		18,201	30,000	(1,758)	(988,237)
					975,000
					<u>975,000</u>
7,177		18,201	30,000	(1,758)	(13,237)
35,033		690,880		7,817	149,759
<u>\$ 42,210</u>	<u>\$ 0</u>	<u>\$ 709,081</u>	<u>\$ 30,000</u>	<u>\$ 6,059</u>	<u>\$ 136,522</u>
\$ 42,210	\$	\$ 450,502	\$ 30,000	\$ 6,059	\$ 209,427
					17,299
					(90,204)
		258,579			
<u>\$ 42,210</u>	<u>\$ 0</u>	<u>\$ 709,081</u>	<u>\$ 30,000</u>	<u>\$ 6,059</u>	<u>\$ 136,522</u>

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

BOYLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

	<u>Unbudgeted Fund</u>		<u>Internal Service Fund</u>
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>	<u>Health Insurance Fund</u>
RECEIPTS			
Taxes	\$	\$ 6,647,320	\$
Excess Fees		343,664	
Licenses and Permits		39,600	
Intergovernmental		4,075,301	59,468
Charges for Services		1,740,460	
Miscellaneous	473,316	1,086,626	1,772,589
Interest		71,560	128
Total Receipts	<u>473,316</u>	<u>14,004,531</u>	<u>1,832,185</u>
DISBURSEMENTS			
General Government		2,720,653	
Protection to Persons and Property		4,689,318	
General Health and Sanitation		1,291,163	
Social Services		104,800	
Recreation and Culture	404,792	844,300	
Transportation Facility and Services		20,789	
Roads		646,965	
Airports		15,167	
Bus Services		34,669	
Debt Service		701,694	
Capital Projects		335,113	
Administration		2,143,979	1,779,780
Total Disbursements	<u>404,792</u>	<u>13,548,610</u>	<u>1,779,780</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>68,524</u>	<u>455,921</u>	<u>52,405</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		2,398,676	
Transfers To Other Funds		<u>(2,398,676)</u>	
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balance	68,524	455,921	52,405
Fund Balance - Beginning	43,451	6,017,739	184,894
Fund Balance - Ending	<u>\$ 111,975</u>	<u>\$ 6,473,660</u>	<u>\$ 237,299</u>
Composition of Fund Balance			
Bank Balance	\$ 127,442	\$ 6,429,909	\$ 249,095
Plus: Deposits In Transit		26,887	
Less: Outstanding Checks	(15,467)	(241,715)	(11,796)
Certificates of Deposit		<u>258,579</u>	
Fund Balance - Ending	<u>\$ 111,975</u>	<u>\$ 6,473,660</u>	<u>\$ 237,299</u>

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

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**BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

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

State Grant Fund - The primary purpose of this fund is to account for state monies received.

Emergency 911 Fund - This fund is used to support the operation of the county's emergency operations communications. The primary sources of receipts for this fund are land line and cellular telephone fees paid monthly by consumers.

Federal Grant Fund - The primary purpose of this fund is to account for federal monies received.

Boyle Jail Fund - This fund is to be used for juvenile inmate and jailer specific expenses not part of the joint jail agreement.

Emergency Medical Services Fund - The primary purpose of this fund is to account for ambulance receipts and disbursements. The primary sources of receipts are grants and charges for services.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

Internal Service Fund

Health Insurance Fund - The primary purpose of this fund is to account for Boyle County's partially self-funded employee health insurance program.

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.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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

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

E. Boyle County Elected Officials

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

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

F. Deposits and Investments

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

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

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Tax Abatements

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015.

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

Note 2. Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of June 30, 2017, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$202,236

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Total Transfers In
Road Fund	\$ 100,000	\$ 100,000
Jail Fund	1,323,676	1,323,676
EMS Fund	975,000	975,000
Total Transfers Out	<u>\$ 2,398,676</u>	<u>\$ 2,398,676</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 fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$40,978.

Note 5. Long-term Debt

A. General Obligation Bonds, Series 2008

On March 11, 2008, the Boyle County Fiscal Court issued \$4,120,000 of General Obligation Bonds for the purpose of providing funds to refund and redeem the Lease Revenue Bonds, Series 1997 which were used to finance the costs of a government services center, consisting of the emergency medical and road maintenance facilities and the regional jail facility. Principal payments are due annually on February 1, and interest, which varies from three percent to 3.25 percent, is payable semiannually on February 1 and August 1. The outstanding principal balance as of June 30, 2017, was \$855,000.

Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 420,000	\$ 27,787
2019	435,000	14,138
Totals	<u>\$ 855,000</u>	<u>\$ 41,925</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

B. General Obligation Bonds, Series 2015

On June 30, 2015, the Boyle County Fiscal Court issued \$2,875,000 of General Obligation Bonds for the purpose of financing costs (to the extent not otherwise provided to be paid) of the acquisition and installation of energy efficiency improvements to (a) the Boyle County Courthouse located at 321 West Main Street, (b) the Boyle County Detention Center located at 1860 South Danville Bypass, (c) the Boyle County Emergency Medical Services facility located at 1856 South Danville Bypass, (d) the Boyle County Public Works facility located at 1858 South Danville Bypass, and (e) the Boyle County Recycling Center located at 1862 South Danville Bypass. Principal payments are due annually on December 1, and interest which varies from two percent to three percent, is payable semiannually on June 1 and December 1. The outstanding principal balance as of June 30, 2017, was \$2,540,000.

Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 170,000	\$ 57,831
2019	175,000	54,381
2020	180,000	50,831
2021	180,000	47,231
2022	185,000	43,581
2023-2027	990,000	152,750
2028-2030	660,000	28,772
Totals	<u>\$ 2,540,000</u>	<u>\$ 435,377</u>

C. Financing Obligation

On February 9, 2016, the Boyle County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance the purchase of a body scanner for the jail. The amount of the agreement was \$118,750 with a fixed interest rate of 3.566 percent. Principal and interest payments are due monthly until scheduled final payment is made in February 2023. The outstanding principal balance as of June 30, 2017, was \$98,023. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	16,202	3,232
2019	16,656	2,647
2020	17,123	2,045
2021	17,602	1,427
2022	18,096	791
2023	12,344	166
Totals	<u>\$ 98,023</u>	<u>\$ 10,308</u>

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 3,965,000	\$	\$ 570,000	\$ 3,395,000	\$ 590,000
Financing Obligations	112,487		14,464	98,023	16,202
Total Long-term Debt	<u>\$ 4,077,487</u>	<u>\$ 0</u>	<u>\$ 584,464</u>	<u>\$ 3,493,023</u>	<u>\$ 606,202</u>

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

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

The county's contribution for FY 2015 was \$1,041,832, FY 2016 was \$1,013,056, and FY 2017 was \$1,115,584.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one 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 five percent of their annual creditable compensation. Nonhazardous members also contribute one 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 four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. Employee Retirement System (Continued)

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

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one 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. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one 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 Board 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 hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent.

Health Insurance Coverage

CERS also 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%

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. Employee Retirement System (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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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 Boyle 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2017, the Boyle 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,

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 9. Insurance (Continued)

and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Health Insurance Fund

The Boyle County Fiscal Court maintains a self-insurance fund to account for the health insurance provided by other funds on a cost reimbursement basis. The purpose of the self-insurance fund is to have funds available to cover some losses as full insurance for all types of risk can be prohibitively expensive and to accumulate reserves for catastrophic losses. Under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board, this fund would have been accounted for as an internal service fund being charged, then considered receipts of the health insurance fund. Charges to funds should be reasonable and equitable so that the receipts and disbursements of the health insurance fund are approximately equal and assume that the fund will have profitable and loss years and will break even over time.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities 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 Boyle 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, 2017, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 12. Tax Abatement

The occupational tax was abated under the authority of the Boyle County Fiscal Court. Pitman Creek Wholesale, LLC (the company) is eligible to receive this tax abatement as a result of its commitment to create jobs in Boyle County. The company initially pays the full amount of the occupational taxes prior to the abatement. The taxes are abated by issuing a refund to the company for wage assessment equivalent to 0.375 percent of the county's occupational license fee after documentation is provided to the county to substantiate the provisions of the tax abatement have been met. Pitman Creek Wholesale, LLC made the commitment to create and continuously maintain at least 44 and up to 65 new full time jobs within 14 years within the county. The performance term of the tax abatement is 14 years from the activation of the project, or until the company recovers a total of \$116,250, whichever comes first. For fiscal year ended June 30, 2017, Boyle County abated occupational taxes totaling \$7,163.

Note 13. Endowment Fund

On October 29, 2013, the Boyle County Fiscal Court gave \$100,000 to Community Foundation of Louisville, Inc. which is a 501(c)(3), to establish a fund to preserve, maintain, improve, or beautify the Constitution Square Historic Site. The foundation has the authority and control over the assets in the fund, and the income derived from it. The balance in this fund as of June 30, 2017, was \$228,014.

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BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,685,000	\$ 5,685,000	\$ 6,601,053	\$ 916,053
Excess Fees	337,175	337,175	343,664	6,489
Licenses and Permits	34,800	34,800	39,600	4,800
Intergovernmental	246,820	246,820	445,838	199,018
Charges for Services	148,700	148,700	175,418	26,718
Miscellaneous	507,235	507,235	393,723	(113,512)
Interest	45,500	45,500	65,065	19,565
Total Receipts	<u>7,005,230</u>	<u>7,005,230</u>	<u>8,064,361</u>	<u>1,059,131</u>
DISBURSEMENTS				
General Government	2,877,786	3,118,760	2,720,653	398,107
Protection to Persons and Property	192,842	197,142	190,145	6,997
General Health and Sanitation	1,385,655	1,421,697	1,291,163	130,534
Social Services	104,800	104,800	104,800	
Recreation and Culture	461,155	460,900	439,508	21,392
Airports	15,175	15,175	15,167	8
Debt Service	220,935	240,275	240,270	5
Capital Projects	(43,351)	(43,351)	30,000	(73,351)
Administration	3,424,990	2,772,313	128,020	2,644,293
Total Disbursements	<u>8,639,987</u>	<u>8,287,711</u>	<u>5,159,726</u>	<u>3,127,985</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,634,757)</u>	<u>(1,282,481)</u>	<u>2,904,635</u>	<u>4,187,116</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000		(100,000)
Transfers To Other Funds	(2,889,347)	(2,889,347)	(2,398,676)	490,671
Total Other Adjustments to Cash (Uses)	<u>(2,789,347)</u>	<u>(2,789,347)</u>	<u>(2,398,676)</u>	<u>390,671</u>
Net Change in Fund Balance	(4,424,104)	(4,071,828)	505,959	4,577,787
Fund Balance - Beginning	4,424,104	4,424,104	4,457,522	33,418
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 352,276</u>	<u>\$ 4,963,481</u>	<u>\$ 4,611,205</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,072,610	\$ 1,072,610	\$ 1,113,365	\$ 40,755
Miscellaneous			923	923
Interest	2,000	2,000	1,636	(364)
Total Receipts	<u>1,074,610</u>	<u>1,074,610</u>	<u>1,115,924</u>	<u>41,314</u>
DISBURSEMENTS				
Transportation Facilities and Services	22,940	22,940	20,789	2,151
Roads	802,935	772,049	646,965	125,084
Capital Projects	274,006	301,429	305,113	(3,684)
Administration	273,725	300,408	283,364	17,044
Total Disbursements	<u>1,373,606</u>	<u>1,396,826</u>	<u>1,256,231</u>	<u>140,595</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(298,996)</u>	<u>(322,216)</u>	<u>(140,307)</u>	<u>181,909</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	183,646	183,646	100,000	(83,646)
Total Other Adjustments to Cash (Uses)	<u>183,646</u>	<u>183,646</u>	<u>100,000</u>	<u>(83,646)</u>
Net Change in Fund Balance	(115,350)	(138,570)	(40,307)	98,263
Fund Balance - Beginning	<u>115,350</u>	<u>115,350</u>	<u>101,164</u>	<u>(14,186)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (23,220)</u>	<u>\$ 60,857</u>	<u>\$ 84,077</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JOINT JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,096,449	\$ 2,096,449	\$ 2,267,647	\$ 171,198
Charges for Services	207,250	207,250	259,474	52,224
Miscellaneous	161,250	161,250	216,516	55,266
Interest	200	200	334	134
Total Receipts	<u>2,465,149</u>	<u>2,465,149</u>	<u>2,743,971</u>	<u>278,822</u>
DISBURSEMENTS				
Protection to Persons and Property	2,762,048	2,781,899	2,805,036	(23,137)
Debt Service	404,336	414,745	461,424	(46,679)
Administration	1,206,940	1,202,462	919,825	282,637
Total Disbursements	<u>4,373,324</u>	<u>4,399,106</u>	<u>4,186,285</u>	<u>212,821</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,908,175)</u>	<u>(1,933,957)</u>	<u>(1,442,314)</u>	<u>491,643</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,589,770	1,589,770	1,323,676	(266,094)
Total Other Adjustments to Cash (Uses)	<u>1,589,770</u>	<u>1,589,770</u>	<u>1,323,676</u>	<u>(266,094)</u>
Net Change in Fund Balance	(318,405)	(344,187)	(118,638)	225,549
Fund Balance - Beginning	<u>318,405</u>	<u>318,405</u>	<u>532,113</u>	<u>213,708</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,782)</u>	<u>\$ 413,475</u>	<u>\$ 439,257</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 41,842	\$ 1,842
Interest			4	4
Total Receipts	<u>40,000</u>	<u>40,000</u>	<u>41,846</u>	<u>1,846</u>
DISBURSEMENTS				
Roads		34,669	34,669	
Administration	84,423	49,754		49,754
Total Disbursements	<u>84,423</u>	<u>84,423</u>	<u>34,669</u>	<u>49,754</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(44,423)</u>	<u>(44,423)</u>	<u>7,177</u>	<u>51,600</u>
Net Change in Fund Balance	(44,423)	(44,423)	7,177	51,600
Fund Balance - Beginning	<u>44,423</u>	<u>44,423</u>	<u>35,033</u>	<u>(9,390)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,210</u>	<u>\$ 42,210</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	STATE GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$	\$ (500,000)
Total Receipts	<u>500,000</u>	<u>500,000</u>		<u>(500,000)</u>
DISBURSEMENTS				
General Government	500,000	500,000		500,000
Total Disbursements	<u>500,000</u>	<u>500,000</u>		<u>500,000</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	EMERGENCY 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 47,000	\$ 47,000	\$ 46,267	\$ (733)
Intergovernmental	136,000	136,000	166,609	30,609
Interest	4,250	4,250	4,409	159
Total Receipts	<u>187,250</u>	<u>187,250</u>	<u>217,285</u>	<u>30,035</u>
DISBURSEMENTS				
Protection to Persons and Property	208,660	214,300	199,084	15,216
Administration	661,053	655,413		655,413
Total Disbursements	<u>869,713</u>	<u>869,713</u>	<u>199,084</u>	<u>670,629</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(682,463)</u>	<u>(682,463)</u>	<u>18,201</u>	<u>700,664</u>
Net Change in Fund Balance	(682,463)	(682,463)	18,201	700,664
Fund Balance - Beginning	<u>682,463</u>	<u>682,463</u>	<u>690,880</u>	<u>8,417</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 709,081</u>	<u>\$ 709,081</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 380,000	\$ 380,000	\$ 30,000	\$ (350,000)
Total Receipts	<u>380,000</u>	<u>380,000</u>	<u>30,000</u>	<u>(350,000)</u>
DISBURSEMENTS				
Recreation and Culture	380,000	380,000		380,000
Total Disbursements	<u>380,000</u>	<u>380,000</u>		<u>380,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>30,000</u>	<u>30,000</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000		(100,000)
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>		<u>100,000</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			30,000	30,000
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

BOYLE JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 50	\$ 50	\$ 2	\$ (48)
Total Receipts	<u>50</u>	<u>50</u>	<u>2</u>	<u>(48)</u>
DISBURSEMENTS				
Protection to Persons and Property	3,500	3,890	658	3,232
Administration	4,521	4,131	1,102	3,029
Total Disbursements	<u>8,021</u>	<u>8,021</u>	<u>1,760</u>	<u>6,261</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,971)</u>	<u>(7,971)</u>	<u>(1,758)</u>	<u>6,213</u>
Net Change in Fund Balance	(7,971)	(7,971)	(1,758)	6,213
Fund Balance - Beginning	<u>7,971</u>	<u>7,971</u>	<u>7,817</u>	<u>(154)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,059</u>	<u>\$ 6,059</u>

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

EMERGENCY MEDICAL SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	1,150,000	1,150,000	1,305,568	155,568
Miscellaneous			2,148	2,148
Interest	50	50	110	60
Total Receipts	<u>1,160,050</u>	<u>1,160,050</u>	<u>1,317,826</u>	<u>157,776</u>
DISBURSEMENTS				
Protection to Persons and Property	1,519,171	1,497,821	1,494,395	3,426
Administration	776,000	813,151	811,668	1,483
Total Disbursements	<u>2,295,171</u>	<u>2,310,972</u>	<u>2,306,063</u>	<u>4,909</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,135,121)</u>	<u>(1,150,922)</u>	<u>(988,237)</u>	<u>162,685</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,015,931	1,015,931	975,000	(40,931)
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>1,015,931</u>	<u>1,015,931</u>	<u>975,000</u>	<u>(40,931)</u>
Net Change in Fund Balance	(119,190)	(134,991)	(13,237)	121,754
Fund Balance - Beginning	<u>119,190</u>	<u>119,190</u>	<u>149,759</u>	<u>30,569</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (15,801)</u>	<u>\$ 136,522</u>	<u>\$ 152,323</u>

BOYLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

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. Budget Line Items Not Overspent

In an effort to capture energy savings information, the fiscal court budgeted negative expenditures as line items in the fiscal year 2017 budget. This has given the appearance in the budget to actual calculations that the fiscal court exceeded budgeted appropriations for the fiscal year where that did not happen. When reviewed line by line, the budgeted appropriation amounts were not exceeded.

Note 3. Internal Service Fund Budget Transfers

During fiscal year 2017, the fiscal court budgeted for the internal service fund and transferred appropriations from this fund to other funds. The internal service fund is not presented in a budget to actual comparison schedule, which has given the appearance that the budget is not balanced in the supplementary information. The county did maintain a balanced budget during fiscal year 2017.

BOYLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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BOYLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (Restated)	\$ 828,252	\$	\$	\$ 828,252
Land Improvements	2,403,303	31,985		2,435,288
Buildings and Improvements (Restated)	12,216,074	405,353	32,805	12,588,622
Vehicles and Equipment	2,450,761	179,091	90,000	2,539,852
Machinery and Equipment (Restated)	3,768,102	275,126	27,397	4,015,831
Infrastructure (Restated)	10,944,334	26,908		10,971,242
 Total Capital Assets	 <u>\$ 32,610,826</u>	 <u>\$ 918,463</u>	 <u>\$ 150,202</u>	 <u>\$33,379,087</u>

**BOYLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

June 30, 2017

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 7,500	10-45
Buildings and Building Improvements	\$ 20,000	10-60
Machinery and Equipment	\$ 1,000	3-20
Vehicles and Equipment	\$ 1,000	3-12
Infrastructure	\$ 5,000	10-40

Note 2. Prior Period Adjustment

The capital asset beginning balances were restated to account for additions and deletions omitted from prior year amounts. Land decreased by \$6,500, buildings and improvement increased by \$2,772,261, machinery and equipment decreased \$14,818, and infrastructure increased \$54,866.

**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 Harold McKinney, Boyle County Judge/Executive
Members of the Boyle 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 Boyle County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Boyle County Fiscal Court's financial statement and have issued our report thereon dated March 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Boyle 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 Boyle County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boyle 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 a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyle 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

Boyle 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,



Alice Wilson, CPA
Assistant Auditor of Public Accounts

March 5, 2018

**BOYLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

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**BOYLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

INTERNAL CONTROL - MATERIAL WEAKNESS:

2017-001 The Fiscal Court Did Not Have Adequate Controls in Place Over Capital Assets

The current year beginning balance for the capital asset schedule was misstated due to prior year errors. Capital asset purchases totaling \$7,223 and asset deletions of \$74,600 from fiscal year 2015 were not properly reflected on the county's capital asset listing. In addition, \$2,895,227 of fiscal year 2016 additions were not accounted for on the schedule. Also, the 2016 beginning balance was understated by \$6,000, and the 2016 additions were overstated by \$28,041. This resulted in a total adjustment to the 2017 beginning balance of \$2,805,809. Auditors were informed of these misstatements by the county treasurer upon arrival.

The county also failed to properly add asset purchases and remove disposed assets from the county's insurance policy. Of 20 additions and deletions tested, seven additions were not properly included in the insurance policy and two disposed assets were not removed.

The county's established controls did not work effectively to ensure all asset additions and deletions were included or removed from the county's capital asset listing and insurance policies. Division directors are responsible for providing information on vehicles, equipment, etc., to the county judge/executive's office to be included on the insurance policy. Per discussion with county personnel, the division directors did not always send the form the county utilizes to document assets additions and deletions for insurance purposes.

Per discussion with the county treasurer, the omissions for the prior fiscal years were due to an oversight.

The capital assets listing was materially misstated, resulting in a material adjustment to the capital asset schedule beginning balance. Furthermore, by not properly including or removing assets on the insurance policy, the risk of loss to the agency increases.

Capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. Strong controls reduce the risk of asset misappropriation.

We recommend the fiscal court reconcile all annual inventory reports to the additions, retired assets, and surplus list to ensure accurate accounting of capital assets. We also recommend the county review the county's addition and deletion reports to ensure these assets are properly added to or removed from the county's insurance policy.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response:

This was the result of a transfer of duties transition year where the bond issue energy efficiency upgrades were not recorded. The County Treasurer identified the error, put in place a procedure to safeguard against future errors and then reported it to the auditors upon their arrival to perform the audit of said fiscal year. It was important that the County's capital assets were stated correctly.

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

BOYLE COUNTY FISCAL COURT

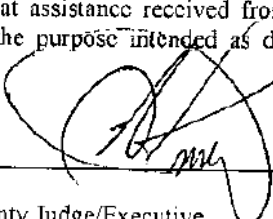
For The Year Ended June 30, 2017

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

The Boyle 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

Mary C. Conley

County Treasurer