

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
FLOYD COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Floyd County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Floyd County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Floyd County's major federal programs: Emergency Watershed Protection Program (CFDA #10.923) and Disaster Grants - Public Assistance (Presidentially Declared Disasters (CFDA #97.036).

Financial Condition:

The Floyd County Fiscal Court had total receipts of \$14,196,155 and disbursements of \$15,632,521 in fiscal year 2015. This resulted in a total ending fund balance of \$2,014,247, which is an increase of \$655,679 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Did Not Follow The Procurement Policy For Bid Purchases As Written In The County's Administrative Code
- 2015-002 The Jailer Lacks Internal Controls Over The Receipts And Disbursements Of The Jail Inmate And Commissary Accounts
- 2015-003 The Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards
- 2015-004 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards
- 2015-005 The Fiscal Court Failed To Comply With Regulations Regarding American Reinvestment And Recovery Act (ARRA) Funds

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1

FLOYD COUNTY OFFICIALS 4

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS 6

NOTES TO FINANCIAL STATEMENT 10

BUDGETARY COMPARISON SCHEDULES 23

NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES 33

SCHEDULE OF CAPITAL ASSETS 37

NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS 38

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 41

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 42

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* 45

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 49

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 55

APPENDIX A:
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Benjamin L. Hale, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Floyd County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Floyd County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

As described in more fully in Note 1 of the financial statement, the financial statement is prepared by the Floyd County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Floyd County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Floyd County Fiscal Court as of June 30, 2015, 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 Floyd County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditure of Federal Awards, as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, on our consideration of the Floyd County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Floyd County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Fiscal Court Did Not Follow The Procurement Policy For Bid Purchases As Written In The County's Administrative Code
- 2015-002 The Jailer Lacks Internal Controls Over The Receipts And Disbursements Of The Jail Inmate And Commissary Accounts
- 2015-003 The Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards
- 2015-004 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards
- 2015-005 The Fiscal Court Failed To Comply With Regulations Regarding American Reinvestment And Recovery Act (ARRA) Funds

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 18, 2017

FLOYD COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Benjamin L. Hale	County Judge/Executive
Randy Davis	Magistrate
Mike Tackett	Magistrate
Ronnie Akers	Magistrate
John Goble	Magistrate

Other Elected Officials:

Keith Bartley	County Attorney
Stuart Halbert	Jailer
Chris Waugh	County Clerk
Doug Hall	Circuit Court Clerk
John P. Hunt	Sheriff
Connie Hancock	Property Valuation Administrator
Greg Nelson	Coroner

Appointed Personnel:

David Layne	County Treasurer
Carla Stephens	Financial Officer
Roger Webb	Deputy Judge Executive

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,773,067	\$	\$
In Lieu Tax Payments	37,678		
Excess Fees	100,566		
Licenses and Permits	17,063		
Intergovernmental	1,247,975	2,995,025	483,863
Charges for Services	1,979,900		17,927
Miscellaneous	296,326		73,246
Interest	2,875	1,864	466
Total Receipts	<u>6,455,450</u>	<u>2,996,889</u>	<u>575,502</u>
DISBURSEMENTS			
General Government	2,224,555		
Protection to Persons and Property	552,196		1,555,818
General Health and Sanitation	2,138,190		
Social Services	94,728		
Recreation and Culture			
Roads		2,393,857	
Road Facilities			
Debt Service	326,990	3,654	341,912
Administration	728,743	569,877	450,631
Total Disbursements	<u>6,065,402</u>	<u>2,967,388</u>	<u>2,348,361</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>390,048</u>	<u>29,501</u>	<u>(1,772,859)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Bond Discount			
Cost of Bond Issuance			
Transfers From Other Funds	580,000	300,000	1,670,000
Transfers To Other Funds	<u>(850,000)</u>	<u>(150,000)</u>	<u></u>
Total Other Adjustments to Cash (Uses)	<u>(270,000)</u>	<u>150,000</u>	<u>1,670,000</u>
Net Change in Fund Balance	120,048	179,501	(102,859)
Fund Balance - Beginning (Restated)	432,047	199,815	168,044
Fund Balance - Ending	<u>\$ 552,095</u>	<u>\$ 379,316</u>	<u>\$ 65,185</u>
Composition of Fund Balance			
Bank Balance	\$ 852,861	\$ 544,382	\$ 113,764
Less: Outstanding Checks	<u>(300,766)</u>	<u>(165,066)</u>	<u>(48,579)</u>
Fund Balance - Ending	<u>\$ 552,095</u>	<u>\$ 379,316</u>	<u>\$ 65,185</u>

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

FLOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Revolving Loan Fund	Construction Fund	FEMA Fund	State Grants Fund	Federal Grants Fund	E911 Fund
\$	\$	\$	\$	\$	\$	\$ 172,329
2,966,557				3,390	29,649	
56,088						64,478
4,194	76	5	67			347
<u>3,026,839</u>	<u>76</u>	<u>5</u>	<u>67</u>	<u>3,390</u>	<u>29,649</u>	<u>237,154</u>
					29,649	
90,283						240,343
105,118						
527,309						
			38,716			
217,999						40,315
<u>940,709</u>			<u>38,716</u>		<u>29,649</u>	<u>280,658</u>
<u>2,086,130</u>	<u>76</u>	<u>5</u>	<u>(38,649)</u>	<u>3,390</u>		<u>(43,504)</u>
150,000			100,000			
(1,800,000)						
<u>(1,650,000)</u>			<u>100,000</u>			
436,130	76	5	61,351	3,390		(43,504)
379,086	15,126	4,808	20,839	10,143	91	92,608
<u>\$ 815,216</u>	<u>\$ 15,202</u>	<u>\$ 4,813</u>	<u>\$ 82,190</u>	<u>\$ 13,533</u>	<u>\$ 91</u>	<u>\$ 49,104</u>
\$ 842,249	\$ 15,202	\$ 4,813	\$ 99,607	\$ 13,533	\$ 8,190	\$ 87,570
(27,033)			(17,417)		(8,099)	(38,466)
<u>\$ 815,216</u>	<u>\$ 15,202</u>	<u>\$ 4,813</u>	<u>\$ 82,190</u>	<u>\$ 13,533</u>	<u>\$ 91</u>	<u>\$ 49,104</u>

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

FLOYD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 2,945,396
In Lieu Tax Payments			37,678
Excess Fees			100,566
Licenses and Permits			17,063
Intergovernmental	225,377		7,951,836
Charges for Services		147,378	2,201,293
Miscellaneous	498,363		932,413
Interest	16		9,910
Total Receipts	<u>723,756</u>	<u>147,378</u>	<u>14,196,155</u>
DISBURSEMENTS			
General Government			2,254,204
Protection to Persons and Property		141,659	2,580,299
General Health and Sanitation			2,243,308
Social Services			94,728
Recreation and Culture			527,309
Roads			2,393,857
Bus Services			38,716
Debt Service	2,819,976		3,492,532
Administration	3		2,007,568
Total Disbursements	<u>2,819,979</u>	<u>141,659</u>	<u>15,632,521</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,096,223)</u>	<u>5,719</u>	<u>(1,436,366)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds	2,120,000		2,120,000
Bond Discount	(19,455)		(19,455)
Cost of Bond Issuance	(8,500)		(8,500)
Transfers From Other Funds			2,800,000
Transfers To Other Funds			(2,800,000)
Total Other Adjustments to Cash (Uses)	<u>2,092,045</u>		<u>2,092,045</u>
Net Change in Fund Balance	(4,178)	5,719	655,679
Fund Balance - Beginning (Restated)	5,955	30,006	1,358,568
Fund Balance - Ending	<u>\$ 1,777</u>	<u>\$ 35,725</u>	<u>\$ 2,014,247</u>
Composition of Fund Balance			
Bank Balance	\$ 1,777	\$ 35,725	\$ 2,619,673
Less: Outstanding Checks			(605,426)
Ending Fund Balance	<u>\$ 1,777</u>	<u>\$ 35,725</u>	<u>\$ 2,014,247</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS	13
NOTE 4.	AGENCY TRUST FUND	14
NOTE 5.	LONG-TERM DEBT	14
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	17
NOTE 7.	DEFERRED COMPENSATION	19
NOTE 8.	INSURANCE	19
NOTE 9.	CONDUIT DEBT	20
NOTE 10.	GARTH LANDFILL	20
NOTE 11.	SUBSEQUENT EVENT.....	20
NOTE 12.	PRIOR PERIOD ADJUSTMENTS.....	20

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Floyd County includes all budgeted and unbudgeted funds under the control of the Floyd County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

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

Revolving Loan Fund - The primary purpose of this fund is to account for the receipt of notes receivable of the county.

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

FEMA Fund - The primary purpose of this fund is for the receipts and disbursement of funds for FEMA projects.

State Grants Fund - The primary purpose of this fund is for emergency medical services.

Federal Grants Fund - The primary purpose of this fund is the receipt and disbursement of money for sheriff's department patrols at Dewey Lake.

E911 Fund - The primary purpose of this fund is to support the county's 911 system.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings. The State Local Finance Officer does not require this fund to be budgeted.

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. The State Local Finance Officer does not require this fund to be budgeted.

D. Budgetary Information

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

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(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 disbursement 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 these funds.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Floyd County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Floyd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Floyd County Fiscal Court.

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

F. Deposits and Investments

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

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

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

The fiscal court maintained deposits of public funds with 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 county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2015, 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 2015.

	General Fund	Road Fund	Jail Fund	LGEA Fund	FEMA Fund	Total Transfers In
General Fund	\$	\$ 100,000	\$ 750,000	\$	\$	\$ 850,000
Road Fund				150,000		150,000
LGEA Fund	<u>580,000</u>	<u>200,000</u>	<u>920,000</u>	<u></u>	<u>100,000</u>	<u>1,800,000</u>
Total Transfers Out	<u>\$ 580,000</u>	<u>\$ 300,000</u>	<u>\$ 1,670,000</u>	<u>\$ 150,000</u>	<u>\$ 100,000</u>	<u>\$ 2,800,000</u>

Reason for transfers:

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

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 4. Agency Trust Fund

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 inmates. The balance in the jail inmate fund as of June 30, 2015, was \$5,910.

Bail Bonds Fund - This fund accounts for the fee charged for processing a bail bond. The balance in the bail bonds fund as of June 30, 2015, was \$2,085.

Town of Martin Corps of Engineers Flood Control Project Escrow Account - This account receives and disburses funds used for the Town of Martin Corps of Engineers Flood Control Project. The balance as of June 30, 2015, was \$670,185.

Note 5. Long-term Debt

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

On August 2013, the Floyd County Public Properties Corporation issued \$6,200,000 in First Mortgage Revenue Bonds, Series 2013. The proceeds from these refunding bonds were used to refinance the 2002 First Mortgage Revenue Bonds. These bonds are scheduled to mature in fiscal year 2027 and carry an interest rate of 1.2 percent to 3.6 percent. Semiannual interest payments are required on September 1 and March 1 of each year.

The Floyd County Public Properties Corporation is acting as an agent for the Administrative Office of the Courts in order to manage and maintain the Justice Center. The Floyd Public Properties Corporation expects rentals for use of the Justice Center to be in the full amount of the principal and interest requirements of the bonds.

Under the terms of a lease, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowances payment as provided in the lease. The lease agreement is renewable each year. The Floyd Public Properties Corporation is in reliance upon the use allowance payment in order to meet debt service on the bonds.

The Administrative Office of the Courts with the execution of the lease expressed its intention to continue to pay the full allowance payment in successive biennial budget periods until March 2027. However, the lease does not obligate the Administrative Office of the Courts to do so.

As of June 30, 2015, the principal balance on these bonds was \$6,200,000. Debt service requirements for the remaining years are:

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

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

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 455,000	\$ 153,555
2017	465,000	148,035
2018	475,000	142,395
2019	475,000	136,695
2020	485,000	128,995
2021-2025	2,655,000	424,735
2026-2027	1,190,000	42,908
Totals	<u>\$ 6,200,000</u>	<u>\$ 1,177,318</u>

B. Big Sandy Area Development District - Office Building

On October 16, 1992, the county entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program for the construction of an office building for use by the Big Sandy Area Development District. The principal amount of the lease was \$850,000. Under a sublease agreement, the Big Sandy Area Development District will pay to the county sufficient funds to meet lease rental requirements. The agreement requires variable monthly payments for 25 years to be paid in full January 20, 2018. The principal balance remaining as of June 30, 2015, was \$168,000. The interest rate for the lease is 2.93 percent. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 53,000	\$ 4,296
2017	56,000	3,396
2018	59,000	1,660
Totals	<u>\$ 168,000</u>	<u>\$ 9,352</u>

C. KADD - Southern Water

In June 2006, the county entered into a lease agreement with Kentucky Area Development Districts Financing Trust, Series 2006K in the amount of \$2,600,000. The lease was used to refund the First Mortgage Revenue Bond Anticipation 2004B in the amount of \$2,455,000. Terms of the agreement stipulate a 30 year repayment schedule, with biannual interest payments at a variable rate of 3.0 to 4.7 percent. The principal amount is due December 1 and June 1 of each year. As of June 30, 2015, the principal balance was \$2,045,000. Payments for the remaining years are:

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

C. KADD - Southern Water (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 65,000	\$ 95,433
2017	70,000	92,638
2018	70,000	89,628
2019	75,000	86,618
2020	75,000	83,393
2021-2025	440,000	361,363
2026-2030	550,000	249,400
2031-2034	700,000	105,575
Totals	<u>\$ 2,045,000</u>	<u>\$ 1,164,048</u>

D. General Obligation Refunding Bonds, Series 2010

In May 2010, Floyd County issued \$3,850,000 in General Obligation Refunding Bonds, Series 2010. The proceeds from these refunding bonds were used to refinance the General Obligation Refinancing Bonds, Series 1999 - Detention, Solid Waste, and Gas. These bonds are scheduled to mature in 2017 and carry an interest rate of one percent to 2.75 percent. Semiannual interest payments are required in September and March, with a principal payment due in March. As of June 30, 2015, the principal balance outstanding on the remaining bonds is \$865,000. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 430,000	\$ 22,713
2017	435,000	11,963
Totals	<u>\$ 865,000</u>	<u>\$ 34,676</u>

E. First Mortgage Revenue Bonds, Series 2011 - Convention Facility - Racetrack

In April 2011, the Floyd County Public Properties Corporation issued \$2,200,000 in First Mortgage Revenue Anticipation Notes, Series 2011. The proceeds from these refunding notes were used to refinance the First Mortgage Revenue Anticipation Notes, Series 2007 associated with the Thunder Ridge Fairground and Convention Center. These notes are scheduled to mature in May 2015 and carry an interest rate of 4.5 percent. Semiannual interest payments are required in November and May and the full principal amount is due in May 2015. As of June 30, 2015, this debt had been retired with the issuance of First Mortgage Revenue Anticipation Notes, Series 2015 (See Note 5.F).

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

F. First Mortgage Lease Revenue Bond Anticipation Note Series 2015 - Convention Facility - Racetrack

In April 2015, the Floyd County Public Properties Corporation issued \$2,120,000 in First Mortgage Revenue Anticipation Notes, Series 2015. The proceeds from these refunding notes were used to refinance the First Mortgage Revenue Anticipation Notes, Series 2011 associated with the Thunder Ridge Fairground and Convention Center. These notes are scheduled to mature in May 2016 and carry an interest rate of three percent. Semiannual interest payments are required in November and May and the full principal amount is due in May 2016. As of June 30, 2015, the principal balance outstanding on these notes was \$2,120,000. Debt service requirements until maturity are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 2,120,000	\$ 64,130
Totals	\$ 2,120,000	\$ 64,130

G. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,285,000	\$	\$ 420,000	\$ 865,000	\$ 430,000
Revenue Bonds	8,250,000	2,120,000	2,050,000	8,320,000	2,575,000
Financing Obligations	2,328,000		115,000	2,213,000	118,000
Total Long-term Debt	\$ 11,863,000	\$ 2,120,000	\$ 2,585,000	\$ 11,398,000	\$ 3,123,000

Note 6. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

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 the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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 account. Members contribute five percent (nonhazardous) of their annual creditable compensation and 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 member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$829,696, FY 2014 was \$713,295, and FY 2015 was \$467,442.

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 (members 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.

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%

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.

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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Employee Retirement System (Continued)

B. Net Pension Liability

As promulgated by GASB Statement No. 68, the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Floyd County's proportionate share of the net pension liability as of June 30, 2015, is:

	June 30, 2014	June 30, 2015
Non-Hazardous	\$ 6,218,000	\$ 5,495,000
Totals	\$ 6,218,000	\$ 5,495,000

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 7. Deferred Compensation

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

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

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 8. Insurance

For the fiscal year ended June 30, 2015, Floyd County 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.

FLOYD COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 9. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to others for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear Floyd County'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. Conduit debt has been issued but the amount currently outstanding is not reasonably determinable as of June 30, 2015.

Note 10. Garth Landfill

The Garth Landfill quit accepting garbage in the mid-1990s. The Floyd County Fiscal Court must comply with established state and federal landfill closure and post closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. During the fiscal year ended June 30, 2015, the county incurred \$4,709 for monitoring, supplies, equipment, and testing associated with closing Garth Landfill.

Note 11. Subsequent Event

The Floyd County Fiscal Court is party to litigation styled "Appalachian Racing, LLC and Floyd County, Kentucky vs. Kentucky Horse Racing Commission" Floyd Circuit Court, Division No I, Civil Action No: 15-CI-836 regarding licensing matters. Currently, Appalachian Racing, LLC reimburses the county for annual interest due on a bond issue related to the Thunder Ridge racetrack property. The outcome of this litigation could impact Appalachian Racing, LLC's ability to reimburse the county for the bond interest payment.

Note 12. Prior Period Adjustments

- A. The beginning cash balance of the general fund was increased by \$15,088 to account for prior year voided checks and decreased by \$5,986 to account for a prior year misstatement, resulting in a net increase to the beginning balance of \$9,102.
- B. The beginning cash balance of the E911 fund was increased by \$9,601 to account for prior year voided checks.
- C. The Floyd County Public Properties Corporation Fund was not presented in the prior year audited financial statements. Therefore, the beginning cash balance of \$5,955 as determined from cash procedures was used as the beginning balance for the fund.

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,647,800	\$ 2,647,800	\$ 2,773,067	\$ 125,267
In Lieu Tax Payments	6,000	6,000	37,678	31,678
Excess Fees	155,000	155,000	100,566	(54,434)
Licenses and Permits	32,000	32,000	17,063	(14,937)
Intergovernmental	853,550	853,550	1,247,975	394,425
Charges for Services	2,075,000	2,075,000	1,979,900	(95,100)
Miscellaneous	612,761	612,761	296,326	(316,435)
Interest	2,000	2,000	2,875	875
Total Receipts	<u>6,384,111</u>	<u>6,384,111</u>	<u>6,455,450</u>	<u>71,339</u>
DISBURSEMENTS				
General Government	2,356,521	2,596,929	2,224,555	372,374
Protection to Persons and Property	374,800	652,268	552,196	100,072
General Health and Sanitation	2,109,900	2,157,182	2,138,190	18,992
Social Services	123,060	110,730	94,728	16,002
Airports	2,500	2,500		2,500
Bus Services	1,000	1,000		1,000
Debt Service	979,385	327,135	326,990	145
Administration	702,834	802,256	728,743	73,513
Total Disbursements	<u>6,650,000</u>	<u>6,650,000</u>	<u>6,065,402</u>	<u>584,598</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(265,889)</u>	<u>(265,889)</u>	<u>390,048</u>	<u>655,937</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			580,000	580,000
Transfers To Other Funds	(400,000)	(400,000)	(850,000)	(450,000)
Borrowed Money	500,000	500,000		(500,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>(270,000)</u>	<u>(370,000)</u>
Net Change in Fund Balance	(165,889)	(165,889)	120,048	285,937
Fund Balance - Beginning	<u>165,889</u>	<u>165,889</u>	<u>432,047</u>	<u>266,158</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 552,095</u>	<u>\$ 552,095</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,573,600	\$ 3,673,600	\$ 2,995,025	\$ (678,575)
Miscellaneous	1,000	1,000		(1,000)
Interest	1,000	1,000	1,864	864
Total Receipts	<u>2,575,600</u>	<u>3,675,600</u>	<u>2,996,889</u>	<u>(678,711)</u>
DISBURSEMENTS				
Roads	2,235,485	3,288,400	2,393,857	894,543
Debt Service	10,000	38,000	3,654	34,346
Administration	574,515	593,600	569,877	23,723
Total Disbursements	<u>2,820,000</u>	<u>3,920,000</u>	<u>2,967,388</u>	<u>952,612</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(244,400)</u>	<u>(244,400)</u>	<u>29,501</u>	<u>273,901</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000	300,000	200,000
Transfers To Other Funds			(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>150,000</u>	<u>50,000</u>
Net Change in Fund Balance	(144,400)	(144,400)	179,501	323,901
Fund Balance - Beginning	<u>144,400</u>	<u>144,400</u>	<u>199,815</u>	<u>55,415</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 379,316</u>	<u>\$ 379,316</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 332,700	\$ 332,700	\$ 483,863	\$ 151,163
Charges for Services	5,000	5,000	17,927	12,927
Miscellaneous	47,000	47,000	73,246	26,246
Interest	300	300	466	166
Total Receipts	<u>385,000</u>	<u>385,000</u>	<u>575,502</u>	<u>190,502</u>
DISBURSEMENTS				
Protection to Persons and Property	1,708,000	1,688,380	1,555,818	132,562
Debt Service	342,000	342,000	341,912	88
Administration	450,000	469,620	450,631	18,989
Total Disbursements	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,348,361</u>	<u>151,639</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,115,000)</u>	<u>(2,115,000)</u>	<u>(1,772,859)</u>	<u>342,141</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,670,000</u>	<u>(430,000)</u>
Total Other Adjustments to Cash (Uses)	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,670,000</u>	<u>(430,000)</u>
Net Change in Fund Balance	(15,000)	(15,000)	(102,859)	(87,859)
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>168,044</u>	<u>153,044</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,185</u>	<u>\$ 65,185</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,313,000	\$ 3,313,000	\$ 2,966,557	\$ (346,443)
Charges for Services	50,000	50,000	56,088	6,088
Miscellaneous	12,000	12,000		(12,000)
Interest	3,000	3,000	4,194	1,194
Total Receipts	<u>3,378,000</u>	<u>3,378,000</u>	<u>3,026,839</u>	<u>(351,161)</u>
DISBURSEMENTS				
General Government	39,000	9,000		9,000
Protection to Persons and Property	99,357	105,347	90,283	15,064
General Health and Sanitation	474,000	394,000	105,118	288,882
Recreation and Culture	881,908	885,708	527,309	358,399
Capital Projects	109,000	109,000		109,000
Aministration	246,735	246,945	217,999	28,946
Total Disbursements	<u>1,850,000</u>	<u>1,750,000</u>	<u>940,709</u>	<u>809,291</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,528,000</u>	<u>1,628,000</u>	<u>2,086,130</u>	<u>458,130</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			150,000	150,000
Transfers To Other Funds	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,800,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>(1,650,000)</u>	<u>150,000</u>
Net Change in Fund Balance	(272,000)	(172,000)	436,130	608,130
Fund Balance - Beginning	<u>272,000</u>	<u>272,000</u>	<u>379,086</u>	<u>107,086</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 815,216</u>	<u>\$ 715,216</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 300	\$ 300	\$ 76	\$ (224)
Total Receipts	300	300	76	(224)
DISBURSEMENTS				
Protection to Persons and Property	15,500	15,500		15,500
Total Disbursements	15,500	15,500		15,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,200)	(15,200)	76	15,276
Net Change in Fund Balance	(15,200)	(15,200)	76	15,276
Fund Balance - Beginning	15,200	15,200	15,126	(74)
Fund Balance - Ending	\$ 0	\$ 0	\$ 15,202	\$ 15,202

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	CONSTRUCTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 500	\$ 500	\$ 5	\$ (495)
Total Receipts	500	500	5	(495)
DISBURSEMENTS				
Administration	5,500	5,500		5,500
Total Disbursements	5,500	5,500		5,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,000)	(5,000)	5	5,005
Net Change in Fund Balance	(5,000)	(5,000)	5	5,005
Fund Balance - Beginning	5,000	5,000	4,808	(192)
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,813	\$ 4,813

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	FEMA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$	\$ (25,000)
Interest			67	67
Total Receipts	<u>25,000</u>	<u>25,000</u>	<u>67</u>	<u>(24,933)</u>
DISBURSEMENTS				
Road Facilities	24,000	124,000	38,716	85,284
Administration	6,100	6,100		6,100
Total Disbursements	<u>30,100</u>	<u>130,100</u>	<u>38,716</u>	<u>91,384</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,100)</u>	<u>(105,100)</u>	<u>(38,649)</u>	<u>66,451</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100,000	100,000
Total Other Adjustments to Cash (Uses)			<u>100,000</u>	<u>100,000</u>
Net Change in Fund Balance	(5,100)	(105,100)	61,351	166,451
Fund Balance - Beginning	<u>5,100</u>	<u>5,100</u>	<u>20,839</u>	<u>15,739</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (100,000)</u>	<u>\$ 82,190</u>	<u>\$ 182,190</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,700	\$ 11,700	\$ 3,390	\$ (8,310)
Total Receipts	<u>11,700</u>	<u>11,700</u>	<u>3,390</u>	<u>(8,310)</u>
DISBURSEMENTS				
Protection to Persons and Property	12,200	12,200		12,200
Total Disbursements	<u>12,200</u>	<u>12,200</u>		<u>12,200</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500)</u>	<u>(500)</u>	<u>3,390</u>	<u>3,890</u>
Net Change in Fund Balance	(500)	(500)	3,390	3,890
Fund Balance - Beginning	<u>500</u>	<u>500</u>	<u>10,143</u>	<u>9,643</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,533</u>	<u>\$ 13,533</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 56,000	\$ 56,000	\$ 29,649	\$ (26,351)
Total Receipts	<u>56,000</u>	<u>56,000</u>	<u>29,649</u>	<u>(26,351)</u>
DISBURSEMENTS				
General Government	56,000	56,000	29,649	26,351
Total Disbursements	<u>56,000</u>	<u>56,000</u>	<u>29,649</u>	<u>26,351</u>
Net Change in Fund Balance				
Fund Balance - Beginning			91	91
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 91</u>	<u>\$ 91</u>

FLOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200,500	\$ 200,500	\$ 172,329	\$ (28,171)
Miscellaneous	100,000	100,000	64,478	(35,522)
Interest	200	200	347	147
Total Receipts	<u>300,700</u>	<u>300,700</u>	<u>237,154</u>	<u>(63,546)</u>
DISBURSEMENTS				
Protection to Persons and Property	266,608	265,218	240,343	24,875
Administration	44,092	45,482	40,315	5,167
Total Disbursements	<u>310,700</u>	<u>310,700</u>	<u>280,658</u>	<u>30,042</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(43,504)</u>	<u>(33,504)</u>
Net Change in Fund Balance	(10,000)	(10,000)	(43,504)	(33,504)
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>92,608</u>	<u>82,608</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 49,104</u>	<u>\$ 49,104</u>

FLOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

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.

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FLOYD COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

FLOYD COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land & Land Improvements	\$ 3,501,249	\$	\$	\$ 3,501,249
Buildings	14,085,653	147,347		14,233,000
Equipment	772,964			772,964
Vehicles	3,299,960	123,500		3,423,460
Infrastructure	8,430,040			8,430,040
Total Capital Assets	<u>\$ 30,089,866</u>	<u>\$ 270,847</u>	<u>\$ 0</u>	<u>\$ 30,360,713</u>

FLOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings	\$ 5,000	10-75
Building Improvements	\$ 5,000	10-60
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5
Infrastructure	\$ 5,000	10-50

FLOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

FLOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipient
<u>U.S. Department of Agriculture</u>				
<i>Natural Resources Conservation Service</i>				
10.923	Emergency Watershed Protection Program (ARRA)	**	\$ 686,549	\$
Total U.S. Department of Agriculture			<u>686,549</u>	<u></u>
<u>U. S. Department of Justice</u>				
<i>Direct Programs:</i>				
16.527	Supervised Visitation, Safe Havens for Children	2013-FL-AX-K009	\$ 141,409	\$ 141,409
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	2014-WE-AX-0004	144,253	144,253
16.812	Second Chance Act Reentry Initiative	2012-RN-BX-0003	95,459	95,459
16.812	Second Chance Act Reentry Initiative	2001-MO-BX-0003	<u>30,550</u>	<u>30,550</u>
Total U.S. Department of Justice			<u>411,671</u>	<u>411,671</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	**	\$ 391,320	\$
Total U.S. Department of Homeland Security			<u>\$ 391,320</u>	<u></u>
Total Expenditures of Federal Awards			<u>\$ 1,489,540</u>	<u>\$ 411,671</u>

** Tested as Major Program

FLOYD COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Floyd County Fiscal Court and 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. The major programs tested were:

- Emergency Watershed Protection Program (CFDA #10.923)
- Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

Note 4 - Floyd County Fiscal Court was a pass through agency and distributed \$411,671 of grants from the U.S. Department of Justice to various agencies.

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Benjamin L. Hale, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Floyd County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Floyd County Fiscal Court's financial statement and have issued our report thereon dated April 18, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2015-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005 to be significant deficiencies.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Floyd County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-003.

County Judge/Executive's Responses to Findings

The Floyd County Judge/Executive's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The Floyd County Judge/Executive'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 18, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Benjamin L. Hale, Floyd County Judge/Executive
Members of the Floyd County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Floyd County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Floyd County Fiscal Court's major federal programs for the year ended June 30, 2015. Floyd County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Floyd County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Floyd County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Floyd County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of the Floyd County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Floyd County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Floyd County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance that we consider to be a material weakness, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. We also identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 and 2015-005 that we consider to be significant deficiencies.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance (Continued)

Floyd County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Floyd County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 18, 2017

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

10.923 Emergency Watershed Protection Program 97.036 Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations

2015-001 The Fiscal Court Did Not Follow The Procurement Policy For Bid Purchases As Written In the County's Administrative Code

The fiscal court accepted multiple bids for pipe, gravel, and asphalt, rather than accepting only one bid for each type of material as required per the county's administrative code. We do not know why the fiscal court did not follow the procurement policy as written in the county's administrative code. Accepting multiple bids is a way to circumvent the bid process and usually results in greater monetary costs to the county, because the lowest or best bid accepted is not always being used. When vendors do not have to compete for business, there is little or no incentive to provide the best price to customers. The county's administrative code procurement policy section 8.2E. states "[t]he County Judge shall open all bids publicly at the time and place stated in the advertisements and shall select the lowest and/or best bid by qualified bidder to be recommended to the fiscal court for approval. If the lowest bid is not selected, the reasons for the selection shall be stated in writing." We recommend the fiscal court members familiarize themselves with the procurement policy as written in the county's administrative code and follow the requirements of the policy when bidding for purchases.

County Judge/Executive's Response: It has been the practice of the fiscal court to accept all bids. The reason multiple bids are accepted is for emergency and disaster reasons. For example, during an emergency or disaster a pipe may be needed to open a roadway for emergency and essential personnel. If the vendor that was awarded the bid did not have the pipe then citizens or emergency personnel would not be able to get in or out until the vendor was able to obtain the pipe. The current administration has spent less than the \$20,000 threshold that is required for the bidding process to these vendors.

Auditor's Reply: KRS 424.260 outlines the requirements for bidding and also addresses how to handle emergency situations that might arise for a fiscal court throughout the year. Accepting all bids defeats a competitive bidding process.

Internal Control - Material Weakness

2015-002 The Jailer Lacks Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts

The jailer lacks internal controls over receipts and disbursements for the jail inmate and commissary accounts. There were no receipt or disbursement ledgers and bank records were not reconciled to a ledger cash balance. Had the jailer designed and implemented proper internal controls, recording errors would have been detected sooner and corrected. In addition, we found no evidence of effective oversight by the jailer over the financial reporting process.

The jailer has not structured his office to provide sufficient oversight of the financial reporting process. Without internal controls in place, there is no way to know that the financial information is accurate. Internal controls should be implemented and duties should be segregated to decrease the risk of misappropriation of assets, errors, and inaccurate financial reporting to external agencies. By not segregating these duties, there is an increased risk of undetected errors, misappropriation of assets, or fraud.

Internal controls and proper segregation of duties protect employees and the jailer in the normal course of performing their daily responsibilities. Good internal controls dictate the same employee should not receive

**FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

Internal Control - Material Weakness (Continued)

2015-002 The Jailer Lacks Internal Controls Over Receipts And Disbursements For The Jail Inmate And Commissary Accounts (Continued)

payments, prepare deposits, and post to the receipts ledger; the same employee should not prepare monthly reports, sign checks, and post to the disbursements ledger; and the same employee should not deposit funds, sign checks, post to ledgers, and prepare bank reconciliations and monthly reports. Good internal controls are necessary in the reconciliation process to ensure that all activity that takes place in the bank accounts is appropriately documented and lowers the risk of misappropriation of receipts and disbursements.

We recommend the jailer implement internal controls and segregate duties as much as possible. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. Employees preparing and signing checks should not be posting to the disbursements ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and in that case, the jailer could take on the responsibility of preparing or reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations. These reviews must be documented in a way that indicates what was reviewed, by whom, and when, because signing off on inaccurate information does not provide internal control. Furthermore, the jailer could require dual signatures on all checks, with one signature being the jailer's.

Jailer's Response: The jailer did not provide a response.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

2015-003 The Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards

Federal Program: CFDA #10.923 and CFDA #97.036

Name of Federal Agency: U.S. Department of Agriculture and U.S. Department of Homeland Security

Pass-Through Agency: Kentucky Department of Military Affairs

Compliance Requirements: Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

Type of Finding: Material Weakness in Internal Control Over Compliance, Material Non-Compliance

Amount of Questioned Costs: None

The county did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) for fiscal year ended June 30, 2015, in accordance with OMB Circular A-133. During testing, there were several instances noted where the state and local share of federal projects were included in the SEFA. Also, the auditor noted expenditures dated after fiscal year ended June 30, 2015, were included in the SEFA.

OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, Section 310(b) requires the auditee to "also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements." At a minimum, the schedule should include the following, if applicable.

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-003 The Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards
 (Continued)

- (3) Provide total Federal awards expended for each individual Federal program and the [Catalog of Federal Domestic Assistance] CFDA number or other identifying number when the CFDA information is not available.
- (4) Includes notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

Due to a lack of adequate internal controls, auditors were not provided an accurate Schedule of Expenditures of Federal Awards. Non-compliance with this federal requirement increases the risk of possibly misstating the county's financial statements. We recommend the county ensure that a complete and accurate Schedule of Expenditures of Federal Awards is prepared.

County Judge/Executive's Response: The prior year administration did not keep a log of federal expenditures. The accounting system used by the prior year administration wasn't able to note whether the expenditure was a federal expenditure or not. The current administration has implemented a new accounting system which is able to note whether the expenditures is a federal expenditures and a total for the fiscal year.

2015-004 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards

Federal Program: CFDA #10.923 and CFDA #97.036

Name of Federal Agency: U.S. Department of Agriculture and U.S. Department of Homeland Security

Pass-Through Agency: Kentucky Department of Military Affairs

Compliance Requirements: Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Amount of Questioned Costs: None

Floyd County qualified for disaster relief and had expenditures that fell under FEMA regulations (Disaster #4196, 4216, 4217, and 4218) in addition to grants received through the Natural Resource Conservation Service (NRCS) and U.S. Department of Justice. In total, the county expended approximately \$1,489,540 in federal assistance during fiscal year ended June 30, 2015.

Adequate internal controls over federal awards were not in place to ensure accurate reporting of federal expenditures, resulting in material non-compliance with federal grants in the areas of Matching, Level of Effort, Earmarking; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

In order to comply with OMB Circular A-133 regarding federal grants, the entity must establish adequate internal controls to ensure compliance with each major program's applicable compliance requirements. Numerous deficiencies were noted in the design and implementation of internal controls over federal awards:

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-004 The Fiscal Court Failed To Implement Adequate Internal Controls Over Federal Awards
 (Continued)

- Failure to maintain complete and accurate supporting documentation for federal awards
- Failure to adequately track and monitor federal awards
- Inadequate interaction between staff and management

Inadequate internal controls resulted in the following noncompliance issues:

- Adequate supporting documentation was not available for all federal expenditures
- American Recovery and Reinvestment Act (ARRA) provisions were not followed

We recommend the fiscal court review their internal controls over federal awards and design and implement controls that will ensure material compliance with applicable requirements for all federal awards. We also recommend the fiscal court seek guidance from grantor agencies to determine if repayment is necessary or required.

County Judge/Executive's Response: The prior year administration did not keep a log of federal expenditures. The accounting system used by the prior year administration wasn't able to note whether the expenditure was a federal expenditure or not. The current administration has implemented a new accounting system which is able to note whether the expenditures is a federal expenditures and a total for the fiscal year. Additional procedures have been implemented to ensure federal expenditures have supporting documentation and are tracked and monitored.

2015-005 The Fiscal Court Failed To Comply With Regulations Regarding American Recovery and Reinvestment Act (ARRA) Funds

Federal Program: CFDA #10.923

Name of Federal Agency: U.S. Department of Agriculture

Compliance Requirements: Special Tests & Provisions – ARRA Funding

Type of Finding: Significant Deficiency in Internal Control Over Compliance

Amount of Questioned Costs: None

The fiscal court received funding from the USDA Natural Resources Conservation Service (NRCS) as part of the county's disaster recovery activities. NRCS is funded through the American Recovery and Reinvestment Act (ARRA). Special regulations apply to all entities that receive ARRA funding in order to maximize transparency and accountability to mitigate the risk of waste, fraud, abuse, and improper payments for grants awarded as part of ARRA. Adequate internal controls were not in place to fully comply with ARRA requirements.

Personnel in charge of NRCS documentation were unaware of special regulations connected to ARRA funding. Adequate documentation was not maintained, leaving some NRCS projects without complete documentation of costs incurred. This increases the risk of waste, fraud, abuse, and improper payments. Per OMB Circular A-133, entities that receive ARRA funding are expected to implement adequate internal controls to ensure grants are properly accounted for and properly expended. The county did not implement adequate controls over NRCS projects, which resulted in material non-compliance issues addressed in

FLOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit (Continued)

2015-005 The Fiscal Court Failed To Comply With Regulations Regarding American Recovery and Reinvestment Act (ARRA) Funds (Continued)

Comment 2015-004. Furthermore, entities are expected to identify and track all ARRA funding on the Schedule of Expenditures of Federal Awards (SEFA). The county failed to identify NRCS funds as ARRA related.

We recommend the fiscal court closely monitor all federal awards to determine if grants are fully or partially funded by ARRA. We further recommend the fiscal court identify and track all ARRA funds in accordance with federal guidelines. Finally, we recommend the fiscal court implement adequate internal controls to ensure that all federal awards are accounted for and expended properly and that any special provisions related to ARRA are met.

County Judge/Executive's Response: The prior administration received and expended these American Reinvestment & Recovery Act (ARRA) funds. If awarded any additional funds in the future, the Fiscal Court will comply with regulations regarding American Reinvestment & Recovery Act Funds.

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

FLOYD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

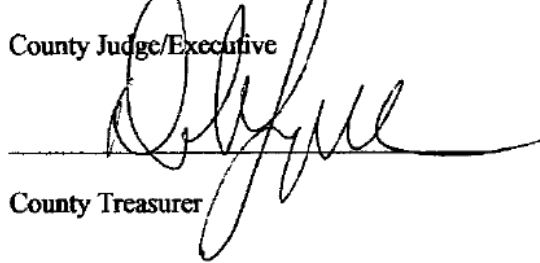
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
FLOYD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

