

BOYD COUNTY FISCAL COURT

**FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2015

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Boyd 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 Boyd County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, the Boyd County Fiscal Court would have included a component entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis it is no longer a required component of the reporting entity. Our opinion is not modified with respect to this matter.

As described in Note 9 to the financial statements, the District adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, effective July 1, 2014. Our opinion is not modified with respect to this matter.

To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

Honorable Steve Towler, Boyd County Judge/Executive

Members of the Boyd County Fiscal Court

Other Matters

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of Boyd County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boyd County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying *schedule of findings and questioned costs* included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Lacks Adequate Controls Over Disbursements, Credit Card Purchases, and Purchase Orders
- 2015-002 The Fiscal Court Lacks Adequate Controls Over Bank Accounts
- 2015-003 The Fiscal Court Lacks Adequate Internal Controls Over Payroll
- 2015-004 Duties are Not Adequately Segregated Over Receipts and Reconciliations
- 2015-005 The Jail Lacks Adequate Segregation of Duties Over Jail Commissary Transactions
- 2015-006 The Treasurer Should Prepare an Accurate Liabilities Schedule
- 2015-007 The County Should Maintain Complete and Accurate Capital Asset Schedules

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky

June 28, 2016

BOYD COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

| | |
|---------------|------------------------|
| Steve Towler | County Judge/Executive |
| Ed Radjunas | Deputy Judge/Executive |
| John Greer | Commissioner |
| Carl Tolliver | Commissioner |
| Tom Jackson | Commissioner |

Other Elected Officials:

| | |
|------------------|----------------------------------|
| Phillip Hedrick | County Attorney |
| Joe Burchett | Jailer |
| Debbie Jones | County Clerk |
| Tracey Kelley | Circuit Court Clerk |
| Bobby Jack Woods | Sheriff |
| Charles Adkins | Property Valuation Administrator |
| Mark Hammond | Coroner |

Appointed Personnel:

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

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

For The Year Ended June 30, 2015

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

| | <u>Budgeted Funds</u> | | | |
|--|----------------------------|--------------------------|--------------------------|---|
| | General Fund | Road Fund | Jail Fund | Local Government Economic Assistance Fund |
| RECEIPTS | | | | |
| Taxes | \$ 13,007,078 | \$ - | \$ - | \$ - |
| In Lieu Tax Payments | 171,006 | - | - | - |
| Excess Fees | 572,714 | - | - | - |
| Licenses and Permits | 1,768 | - | - | - |
| Intergovernmental | 3,063,433 | 2,030,951 | 971,403 | 265,666 |
| Charges for Services | 54,119 | 2,561 | 96,843 | - |
| Miscellaneous | 359,747 | 78,317 | 109,804 | - |
| Interest | 1,920 | 200 | 107 | 408 |
| Total Receipts | <u>17,231,785</u> | <u>2,112,029</u> | <u>1,178,157</u> | <u>266,074</u> |
| DISBURSEMENTS | | | | |
| General Government | 4,906,518 | - | - | - |
| Protection to Persons and Property | 1,133,821 | - | 2,568,151 | - |
| General Health and Sanitation | 417,965 | 781,838 | - | 26,860 |
| Social Services | 5,000 | - | - | - |
| Recreation and Culture | 1,016,343 | - | - | - |
| Roads | 33,927 | 4,478,786 | - | - |
| Airports | - | - | - | 15,000 |
| Debt Service | 447,331 | 626,395 | 130,108 | - |
| Administration | 2,902,570 | 452,369 | 596,551 | - |
| Total Disbursements | <u>10,863,475</u> | <u>6,339,388</u> | <u>3,294,810</u> | <u>41,860</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>6,368,310</u> | <u>(4,227,359)</u> | <u>(2,116,653)</u> | <u>224,214</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Borrowed Money | 559,070 | 1,500,000 | - | - |
| Bond Issuance Costs | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers From Other Funds | 353,273 | 3,249,802 | 2,767,881 | 53,328 |
| Transfers To Other Funds | (6,414,266) | (355,135) | (370,076) | (508,204) |
| Total Other Adjustments to Cash (Uses) | <u>(5,501,923)</u> | <u>4,394,667</u> | <u>2,397,805</u> | <u>(454,876)</u> |
| Net Change in Fund Balance | <u>866,387</u> | <u>167,308</u> | <u>281,152</u> | <u>(230,662)</u> |
| Fund Balance - Beginning | <u>662,641</u> | <u>(513)</u> | <u>(2,922)</u> | <u>295,470</u> |
| Fund Balance - Ending | <u><u>\$ 1,529,028</u></u> | <u><u>\$ 166,795</u></u> | <u><u>\$ 278,230</u></u> | <u><u>\$ 64,808</u></u> |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 1,577,487 | \$ 167,689 | \$ 279,231 | \$ 65,558 |
| Plus: Deposits In Transit | - | 4,410 | - | - |
| Less: Outstanding Checks | <u>(48,459)</u> | <u>(5,304)</u> | <u>(1,001)</u> | <u>(750)</u> |
| Fund Balance - Ending | <u><u>\$ 1,529,028</u></u> | <u><u>\$ 166,795</u></u> | <u><u>\$ 278,230</u></u> | <u><u>\$ 64,808</u></u> |

BOYD COUNTY

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

| | Budgeted Funds | | | |
|--|---------------------------------|-----------------|-------------------|---------------------------|
| | Economic Development Fund | FEMA Fund | Emergency Fund | Sewer Projects Fund |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| In Lieu Tax Payments | - | - | - | - |
| Excess Fees | - | - | - | - |
| Licenses and Permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for Services | - | - | - | - |
| Miscellaneous | 2,888 | - | - | - |
| Interest | - | - | 34 | 17 |
| Total Receipts | 2,888 | - | 34 | 17 |
| DISBURSEMENTS | | | | |
| General Government | - | - | - | - |
| Protection to Persons and Property | - | - | - | - |
| General Health and Sanitation | - | - | - | - |
| Social Services | - | - | - | - |
| Recreation and Culture | - | - | - | - |
| Roads | - | - | - | - |
| Airports | - | - | - | - |
| Debt Service | - | - | - | 835,160 |
| Administration | - | - | - | - |
| Total Disbursements | - | - | - | 835,160 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | 2,888 | - | 34 | (835,143) |
| Other Adjustments to Cash (Uses) | | | | |
| Borrowed Money | - | - | - | - |
| Bond Issuance Costs | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - |
| Transfers From Other Funds | - | 1,000 | - | 835,160 |
| Transfers To Other Funds | (2,738) | - | (156,000) | - |
| Total Other Adjustments to Cash (Uses) | (2,738) | 1,000 | (156,000) | 835,160 |
| Net Change in Fund Balance | 150 | 1,000 | (155,966) | 17 |
| Fund Balance - Beginning | 238 | - | 156,906 | 136 |
| Fund Balance - Ending | \$ 388 | \$ 1,000 | \$ 940 | \$ 153 |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 388 | \$ 1,000 | \$ 940 | \$ 153 |
| Plus: Deposits In Transit | - | - | - | - |
| Less: Outstanding Checks | - | - | - | - |
| Ending Fund Balance | \$ 388 | \$ 1,000 | \$ 940 | \$ 153 |

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

BOYD COUNTY

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

| <u>Unbudgeted Funds</u> | | | | |
|--|-----------------------------|----------------------------|---------------------|--|
| | Capital Projects Fund | Jail Commissary Fund | Total Funds | |
| RECEIPTS | | | | |
| Taxes | \$ - | \$ - | \$ 13,007,078 | |
| In Lieu Tax Payments | - | - | 171,006 | |
| Excess Fees | - | - | 572,714 | |
| Licenses and Permits | - | - | 1,768 | |
| Intergovernmental | 1,648,191 | - | 7,979,644 | |
| Charges for Services | - | - | 153,523 | |
| Miscellaneous | 44,875 | 103,382 | 699,013 | |
| Interest | 888 | 62 | 3,636 | |
| Total Receipts | <u>1,693,954</u> | <u>103,444</u> | <u>22,588,382</u> | |
| DISBURSEMENTS | | | | |
| General Government | - | - | 4,906,518 | |
| Protection to Persons and Property | - | - | 3,701,972 | |
| General Health and Sanitation | - | - | 1,226,663 | |
| Social Services | - | - | 5,000 | |
| Recreation and Culture | - | 114,239 | 1,130,582 | |
| Roads | - | - | 4,512,713 | |
| Airports | - | - | 15,000 | |
| Debt Service | 2,480,660 | - | 4,519,654 | |
| Administration | 28,162 | - | 3,979,652 | |
| Total Disbursements | <u>2,508,822</u> | <u>114,239</u> | <u>23,997,754</u> | |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(814,868)</u> | <u>(10,795)</u> | <u>(1,409,372)</u> | |
| Other Adjustments to Cash (Uses) | | | | |
| Borrowed Money | 1,890,000 | - | 3,949,070 | |
| Bond Issuance Costs | (70,425) | - | (70,425) | |
| Payment to refunded bond escrow agent | (1,815,740) | - | (1,815,740) | |
| Transfers From Other Funds | 545,975 | - | 7,806,419 | |
| Transfers To Other Funds | - | - | (7,806,419) | |
| Total Other Adjustments to Cash (Uses) | <u>549,810</u> | <u>-</u> | <u>2,062,905</u> | |
| Net Change in Fund Balance | <u>(265,058)</u> | <u>(10,795)</u> | <u>653,533</u> | |
| Fund Balance - Beginning | <u>666,943</u> | <u>50,743</u> | <u>1,829,642</u> | |
| Fund Balance - Ending | <u>\$ 401,885</u> | <u>\$ 39,948</u> | <u>\$ 2,483,175</u> | |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 2,046,885 | \$ 46,664 | \$ 4,185,995 | |
| Plus: Deposits In Transit | - | - | 4,410 | |
| Less: Outstanding Checks | <u>(1,645,000)</u> | <u>(6,716)</u> | <u>(1,707,230)</u> | |
| Ending Fund Balance | <u>\$ 401,885</u> | <u>\$ 39,948</u> | <u>\$ 2,483,175</u> | |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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BOYD COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Boyd County includes all budgeted and unbudgeted funds under the control of the 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 created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

Sanitation District No. 4 would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis it is no longer a required component of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government 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 and 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses 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.

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 government, 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.

Economic Development Fund – The primary purpose of this fund is to account for miscellaneous funds. The primary source of receipts for this fund is grants for the renovations to the Boyd County Community Center.

FEMA Fund - The primary purpose of this fund is to account for FEMA related projects. The primary source of receipts for this fund is federal and state grants and transfers.

Emergency Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary source of receipts for this fund is federal and state grants.

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Capital Projects Fund – The primary purpose of this fund is to account for the financing and construction of major capital facilities. The primary source of receipts for this fund is federal and state grants, space rental, and transfers from the general fund. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Boyd County Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

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

E. County Elected Officials

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

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

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

Note 2. Deposits

A. 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(4), 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 41.240(4). 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 the fiscal year ending June 30, 2015.

| | General Fund | Road Fund | Jail Fund | Emergency Fund | Economic Development Fund | LGEA Fund | Total Transfers In |
|----------------------------|---------------------|-------------------|-------------------|-------------------|---------------------------|-------------------|---------------------|
| General Fund | \$ - | \$ 197,273 | \$ - | \$ 156,000 | \$ - | \$ - | \$ 353,273 |
| Road Fund | 2,741,598 | - | - | - | - | 508,204 | 3,249,802 |
| Jail Fund | 2,767,881 | - | - | - | - | - | 2,767,881 |
| LGEA Fund | 50,590 | - | - | - | 2,738 | - | 53,328 |
| FEMA Fund | - | 1,000 | - | - | - | - | 1,000 |
| Capital Projects Fund | 19,037 | 156,862 | 370,076 | - | - | - | 545,975 |
| Sewer Projects Fund | 835,160 | - | - | - | - | - | 835,160 |
| Total Transfers Out | \$ 6,414,266 | \$ 355,135 | \$ 370,076 | \$ 156,000 | \$ 2,738 | \$ 508,204 | \$ 7,806,419 |

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$9,153.

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

Note 5. Short-term Receivable

On January 12, 2006, Boyd County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program (KACoLT) on behalf of the Boyd/Greenup Riverport Authority (Riverport Authority). Lease proceeds of \$500,000 were paid directly to the Riverport Authority. The Riverport Authority makes scheduled lease payments directly to KACoLT. The repayment schedule for the Riverport Authority is identical to the repayment schedule for the lease. As of June 30, 2015, the amount of the receivable was \$410,000. The receivable amount corresponds to the KACoLT Lease - Boyd/Greenup Riverport Authority outstanding of June 30, 2015. (See Note 7. Long-term Debt A.)

Note 6. Short-term Debt

On September 17, 2014, Boyd County Fiscal Court entered into a short-term loan with Kentucky Farmers Bank for \$500,000 for the purpose of paving county roads. The principal and interest, at a rate of 1.75%, was due upon maturity at June 30, 2015. As of June 30, 2015, the principal was paid in full.

Note 7. Long-term Debt

A. KACO Financing Obligation - Boyd/Greenup Riverport Authority

On January 12, 2006, Boyd County entered into a financing obligation agreement with the Kentucky Association of Counties on behalf of the Boyd/Greenup Riverport Authority. The agreement was for \$500,000 with a variable interest rate. The agreement has a term of 28 years with a maturity date of July 20, 2033. Interest payments are due monthly with one principal payment due on July 20th of each year. The amount outstanding under this agreement was \$410,000 at June 30, 2015. Payments for the remaining years are as follows:

| Fiscal Year Ended | | | |
|--------------------------|--------------------------|--------------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 10,000 | \$ 17,641 | |
| 2017 | 15,000 | 16,613 | |
| 2018 | 15,000 | 15,981 | |
| 2019 | 15,000 | 15,341 | |
| 2020 | 15,000 | 14,723 | |
| 2021-2025 | 90,000 | 62,885 | |
| 2026-2030 | 125,000 | 39,826 | |
| 2031-2034 | <u>125,000</u> | <u>9,473</u> | |
| Totals | <u>\$ 410,000</u> | <u>\$ 192,483</u> | |

B. KADD Financing Obligation - County Detention Center

On July 17, 2006, Boyd County entered into a financing obligation agreement with the Kentucky Area Development District (KADD) for additional financing for the completion of the jail and prisoner pedway project. The agreement was for \$2,000,000 at an average interest rate of 5.05%. The agreement has a term of 30 years with a maturity of May 1, 2036. Payments are due semi-annually on November 1st and May 1st of each year. This obligation was refinanced with a general obligation refunding bond dated March 11, 2015. See O. The amount outstanding under this agreement was considered defeased as of June 30, 2015.

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

Note 7. Long-term Debt (Continued)

C. First Mortgage Revenue Bonds Series 2007- Justice Center

On July 1, 2007, the Boyd County Capital Projects Corporation issued first mortgage revenue bonds to provide funding for the construction of the Boyd County Judicial Center. The total bond issue was in the amount of \$18,855,000, with interest rates varying between 4.125% and 4.625%, and a maturity date of August 1, 2027. Interest is payable on February 1 and August 1 of each year. At the date of sale, there was \$38,706 in accrued interest that was remitted to the Public Properties Corporation along with the bond proceeds. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts. Bonds outstanding as of June 30, 2015 were \$13,890,000. Debt service requirements are as follows:

| Fiscal Year Ended June 30 | Principal | Interest |
|--|-----------------------------|----------------------------|
| 2016 | \$ 825,000 | \$ 600,341 |
| 2017 | 855,000 | 565,156 |
| 2018 | 890,000 | 528,075 |
| 2019 | 925,000 | 489,506 |
| 2020 | 965,000 | 448,741 |
| 2021-2025 | 5,500,000 | 1,551,479 |
| 2026-2028 | <u>3,930,000</u> | <u>282,412</u> |
| Totals | <u>\$ 13,890,000</u> | <u>\$ 4,465,710</u> |

D. Daimler Truck Financial - Sterling Trucks

On December 22, 2009, Boyd County borrowed \$246,020 under a financing obligation agreement with Daimler Truck Financial to finance the purchase of two trucks for the road department. The agreement carries an interest rate of 4.79% and had a maturity date of December 22, 2014. The outstanding principal at June 30, 2015 was \$-0-.

E. General Obligation Refunding Bond – Sewer Line Extension

On October 20, 2012, Boyd County issued general obligation refunding bonds, series 2012 A in the amount of \$7,910,000. The proceeds of this issue were used to pay off a sewer line extension project debt in the amount of \$7,555,000 with the Kentucky Area Development District (KADD). The bonds were issued with a variable interest rate ranging from 4.00% to 5.7%. The agreement has a term of twenty-two years with a maturity date of April 20, 2033. Annual principal payments are due on April 20th of each year and semi-annual interest payments are due on October 20th and April 20th of each year. The outstanding principal at June 30, 2015 was \$7,210,000. Payments for the remaining years are as follows:

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

Note 7. Long-term Debt (Continued)

Fiscal Year Ended

| June 30 | Principal | Interest |
|---------------|----------------------------|----------------------------|
| 2016 | \$ 320,000 | \$ 237,206 |
| 2017 | 325,000 | 230,806 |
| 2018 | 325,000 | 224,306 |
| 2019 | 335,000 | 216,994 |
| 2020 | 345,000 | 206,444 |
| 2021-2025 | 1,870,000 | 870,308 |
| 2026-2030 | 2,180,000 | 547,776 |
| 2031-2033 | <u>1,510,000</u> | <u>122,200</u> |
| Totals | <u>\$ 7,210,000</u> | <u>\$ 2,656,040</u> |

F. KADD Agreement - Sewer Line Extension

On May 12, 2005, Boyd County entered into a third financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for additional financing of the county's sewer line extension project. The agreement was for \$5,000,000 at an average interest rate of 5.15%. The agreement has a term of 30 years with a maturity date of June 1, 2035. Annual principal payments are due on June 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding principal at June 30, 2015 was \$4,085,000. Payments for the remaining years are as follows:

Fiscal Year Ended

| June 30 | Principal | Interest |
|---------------|----------------------------|----------------------------|
| 2016 | \$ 125,000 | \$ 214,168 |
| 2017 | 130,000 | 207,855 |
| 2018 | 135,000 | 201,290 |
| 2019 | 140,000 | 194,473 |
| 2020 | 150,000 | 187,403 |
| 2021-2025 | 865,000 | 814,859 |
| 2026-2030 | 1,110,000 | 565,888 |
| 2031-2035 | <u>1,430,000</u> | <u>239,506</u> |
| Totals | <u>\$ 4,085,000</u> | <u>\$ 2,625,442</u> |

G. General Obligation Bonds - Series 2006

On December 29, 2006, the Boyd County Capital Projects Corporation issued general obligation public improvement bonds, series 2006 in the amount of \$4,000,000. The proceeds of this issue were used to finance the costs of the acquisition, construction, installation and equipping of improvements to the county sewer system. The bonds were issued with an average interest rate of 4.5% with a retirement date of December 1, 2036. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding bond principal at June 30, 2015 was \$3,460,000. Bond payments for the remaining years are as follows:

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

Note 7. Long-term Debt (Continued)

Fiscal Year Ended

| June 30 | Principal | Interest |
|---------------|----------------------------|----------------------------|
| 2016 | \$ 90,000 | \$ 163,995 |
| 2017 | 95,000 | 160,018 |
| 2018 | 100,000 | 155,775 |
| 2019 | 105,000 | 151,265 |
| 2020 | 110,000 | 144,925 |
| 2021-2025 | 635,000 | 641,062 |
| 2026-2030 | 810,000 | 470,403 |
| 2031-2035 | 1,025,000 | 250,128 |
| 2036-2037 | <u>490,000</u> | <u>24,255</u> |
| Totals | <u>\$ 3,460,000</u> | <u>\$ 2,161,826</u> |

H. Financing Obligation - Town Square Bank

On March 5, 2010, the Boyd County Fiscal Court entered into a financing obligation with Town Square Bank in the amount of \$350,000 as a line-of-credit. As of June 30, 2010, the county received \$340,768 from Town Square Bank that was used for baseball field renovations. During the June 30, 2014 fiscal year, the County drew an additional \$500 on this line-of-credit. The agreement has a variable interest rate, with a current rate of 4.0%. Annual interest payments begin March 5, 2011 and all outstanding principal plus accrued unpaid interest is payable on August 5, 2015. The outstanding principal as of June 30, 2015 was \$341,268. Payments for the remaining years are as follows:

Fiscal Year Ended

| June 30 | Principal | Interest |
|---------------|--------------------------|------------------------|
| 2016 | \$ 341,268 | \$ 5,722 |
| Totals | <u>\$ 341,268</u> | <u>\$ 5,722</u> |

I. US Bank - Refunding Bond - Courthouse Renovation

On March 31, 2011, the Boyd County Fiscal Court issued general obligation public improvement bonds, series 2011 in the amount of \$2,700,000. The proceeds of this issue were used to pay The Huntington National Bank \$2,000,000 lease agreement in full, with the remaining funds to be used to complete the repairs and renovation of the courthouse. The bonds were issued with an average interest rate of 2.7% with a retirement date of March 1, 2025. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The outstanding bond principal at June 30, 2015 was \$1,780,000. Bond payments for the remaining years are as follows:

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

Note 7. Long-term Debt (Continued)

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|----------------------------|--------------------------|
| 2016 | \$ 305,000 | \$ 52,800 |
| 2017 | 300,000 | 45,175 |
| 2018 | 300,000 | 36,925 |
| 2019 | 300,000 | 27,925 |
| 2020 | 305,000 | 18,925 |
| 2021-2025 | <u>270,000</u> | <u>31,312</u> |
| Totals | <u>\$ 1,780,000</u> | <u>\$ 213,062</u> |

J. Refunding Bonds - Series 2011

On September 1, 2010, Boyd County issued general obligation refunding bonds, series 2011 in the amount of \$2,050,000. The proceeds of this issue were used to payoff a detention center project debt with the Kentucky Area Development District (KADD). The bonds were issued with an average interest rate of 3.6% with a retirement date of June 1, 2033. Annual principal payments are due on December 1st of each year and semi-annual interest payments are due on June 1st and December 1st of each year. The outstanding bond principal at June 30, 2015 was \$1,820,000. Bond payments for the remaining years are as follows:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|----------------------------|--------------------------|
| 2016 | \$ 75,000 | \$ 52,800 |
| 2017 | 80,000 | 45,175 |
| 2018 | 80,000 | 36,925 |
| 2019 | 80,000 | 27,925 |
| 2020 | 85,000 | 54,675 |
| 2021-2025 | <u>465,000</u> | <u>232,518</u> |
| 2026-2030 | <u>560,000</u> | <u>137,000</u> |
| 2031-2033 | <u>395,000</u> | <u>24,300</u> |
| Totals | <u>\$ 1,820,000</u> | <u>\$ 611,318</u> |

K. Refunding Bond - Paramount Arts Center

On November 1, 2011, the Boyd County Fiscal Court issued refunding bonds in the amount of \$2,130,000 for the initial funding of the Paramount Arts Center. The agreement has a variable interest rate ranging from 1.00 to 4.25% and a maturity date of May 1, 2031. Annual principal payments are due on May 1st of each year and semi-annual interest payments are due on May 1st and November 1st of each year. The outstanding principal as of June 30, 2015 was \$1,800,000. Payments for the remaining years are as follows:

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

Note 7. Long-term Debt (Continued)

| Fiscal Year Ended | | | |
|-------------------|---------------------|-------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 90,000 | \$ 63,075 | |
| 2017 | 90,000 | 61,500 | |
| 2018 | 95,000 | 59,250 | |
| 2019 | 95,000 | 56,875 | |
| 2020 | 100,000 | 54,025 | |
| 2021-2025 | 535,000 | 220,937 | |
| 2026-2030 | 650,000 | 112,560 | |
| 2031 | 145,000 | 6,162 | |
| Totals | \$ 1,800,000 | \$ 634,384 | |

L. Financing Obligation - Sheriffs Vehicles

On January 31, 2012, the Boyd County Fiscal Court entered into a lease agreement with Kentucky Farmers Bank in the amount of \$160,000 for sheriff vehicles. The agreement has an interest rate of 2.99%. Principal and interest payments are due annually on January 31st. The outstanding principal as of June 30, 2015 was \$-0-.

M. Financing Obligation - Caterpillar Excavator

On July 2, 2012, the Boyd County Fiscal Court entered into a lease agreement with Caterpillar Financial Services Corporation in the amount of \$149,836 for an excavator. The agreement has an interest rate of 3.20%. Principal and interest payments are due annually on July 25th. The outstanding principal as of June 30, 2015 was \$-0-.

N. Refunding Bond - Public Improvement Bonds, Series 2004 and 2005

On April 1, 2014, the Boyd County Fiscal Court issued refunding bonds in the amount of \$4,055,000 for the refunding of Public Improvement Bonds, 2004 and 2005. The agreement has a variable interest rate ranging from 2.00% to 4.00% and a maturity date of March 1, 2035. Annual principal payments are due on March 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The outstanding principal as of June 30, 2015 was \$3,840,000. Payments for the remaining years are as follows:

| Fiscal Year Ended | | | |
|-------------------|---------------------|---------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 210,000 | \$ 121,200 | |
| 2017 | 210,000 | 117,000 | |
| 2018 | 215,000 | 112,800 | |
| 2019 | 220,000 | 108,500 | |
| 2020 | 220,000 | 104,100 | |
| 2021-2025 | 1,090,000 | 428,750 | |
| 2026-2030 | 755,000 | 276,100 | |
| 2031-2035 | 920,000 | 113,400 | |
| Totals | \$ 3,840,000 | \$ 1,381,850 | |

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

Note 7. Long-term Debt (Continued)

O. General Obligation Refunding Bond – Jail Pedway

On March 11, 2015, Boyd County issued general obligation refunding bonds, series 2015 in the amount of \$1,890,000. The proceeds of this issue were used to pay off jail pedway debt in the amount of \$1,645,000 with the Kentucky Area Development District (KADD). The bonds were issued with a variable interest rate ranging from 2.00% to 3.5%. The agreement has a term of twenty-one years with a maturity date of May 1, 2036. Annual principal payments are due on May 1st of each year and semi-annual interest payments are due on November 1st and May 1st of each year. As a result of this advance refunding, Boyd County obtained a net present value cashflow savings of \$374,000 over the life of the bond. The outstanding principal at June 30, 2015 was \$1,820,000. Payments for the remaining years are as follows:

| Fiscal Year Ended | | | |
|-------------------|---------------------|-------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 65,000 | \$ 54,958 | |
| 2017 | 70,000 | 53,658 | |
| 2018 | 70,000 | 52,258 | |
| 2019 | 70,000 | 50,856 | |
| 2020 | 70,000 | 49,458 | |
| 2021-2025 | 390,000 | 213,840 | |
| 2026-2030 | 450,000 | 151,550 | |
| 2031-2035 | 515,000 | 69,145 | |
| 2036 | 120,000 | 4,200 | |
| Totals | \$ 1,820,000 | \$ 699,923 | |

P. General Obligation Lease 2014 – Roads

On September 30, 2014, Boyd County entered into a general obligation lease, series 2014 in the amount of \$1,500,000. The proceeds of this issue were used for road projects. The lease obligation was issued at a fixed interest rate of 1.59% and a maturity date of September 1, 2017. Annual principal payments are due on September 1st of each year and semi-annual interest payments are due on March 1st and September 1st of each year. The outstanding principal at June 30, 2015 was \$1,500,000. Payments for the remaining years are as follows:

| Fiscal Year Ended | | | |
|-------------------|---------------------|------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 492,071 | \$ 19,938 | |
| 2017 | 499,958 | 12,051 | |
| 2018 | 507,971 | 4,038 | |
| Totals | \$ 1,500,000 | \$ 36,027 | |

Q. Financing Obligation - Two Vehicles

On April 17, 2015, the Boyd County Fiscal Court entered into a lease agreement with Kentucky Farmers Bank in the amount of \$59,070 to purchase two vehicles. The agreement has an interest rate of 2.00%. Principal and interest payments are due monthly on the 28th day of each month with a maturity date of April 28, 2018.. The outstanding principal as of June 30, 2015 was \$57,532. Payments for the remaining years are as follows:

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

Note 7. Long-term Debt (Continued)

| Fiscal Year Ended | | | |
|-------------------|-------------------------|------------------------|--|
| June 30 | Principal | Interest | |
| 2016 | \$ 19,375 | \$ 941 | |
| 2017 | 19,766 | 550 | |
| 2018 | <u>18,391</u> | <u>158</u> | |
| Totals | <u><u>\$ 57,532</u></u> | <u><u>\$ 1,649</u></u> | |

R. 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 | \$ 20,990,000 | \$ 1,890,000 | \$ 2,795,000 | \$ 20,085,000 | \$ 1,155,000 |
| Revenue Bonds | 14,680,000 | - | 790,000 | 13,890,000 | 825,000 |
| Financing Obligations | 6,815,720 | 1,559,070 | 335,990 | 8,038,800 | 2,207,714 |
| Total Long-term Debt | <u><u>\$ 42,485,720</u></u> | <u><u>\$ 3,449,070</u></u> | <u><u>\$ 3,920,990</u></u> | <u><u>\$ 42,013,800</u></u> | <u><u>\$ 4,187,714</u></u> |

Note 8. Commitments and Contingencies

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

Note 9. 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. 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 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. The County's contribution rate for nonhazardous employees was 17.67%.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 34.31%.

BOYD COUNTY**NOTES TO FINANCIAL STATEMENT**

June 30, 2015

(Continued)

Note 9. Employee Retirement System (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 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% 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 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The County's contribution for FY 2013 was \$1,071,226, FY 2014 was \$1,172,046, and FY 2015 was \$1,008,216.

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.

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

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.

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

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

Note 9. Employee Retirement System (Continued)

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.

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, Boyd County's proportionate share of the net pension liability as of June 30, 2015 is:

| | June 30, 2014 | June 30, 2015 |
|---------------|----------------------|---------------------|
| Non-Hazardous | <u>\$ 10,236,000</u> | <u>\$ 9,046,000</u> |
| Totals | <u>\$ 10,236,000</u> | <u>\$ 9,046,000</u> |

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2015, Boyd 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Subsequent Events

On February 25, 2016, Boyd County issued First Mortgage Refunding Revenue Bonds, Series 2016 in the original amount of \$11,040,000 with interest rates ranging from 2.00% to 3.50% to advance refund the Series 2007 bonds on the Justice Center. Funding of the debt service is provided by a lease arrangement with the Commonwealth of Kentucky Administrative Office of the Courts.

Note 12. Related Party Transactions

Annexation of Boyd County Sanitary Sewer System

On April 1, 2009, Boyd County transferred operations of the rural Boyd County Sanitary Sewer System to Boyd County Sanitation District No. 4 (SD4). SD4 assumed responsibilities for customer billings, maintenance, repair, and utilization of the system. Boyd County retained ownership of sewer facilities, property and equipment, and also maintained responsibility for all existing sewer related debt.

On May 6, 2015, the Boyd County Sanitation District No. 4 (SD4) entered into a Revenue Lease Agreement to refinance certain obligations of the Boyd County Fiscal Court. The General Obligation Bonds, Series 2006, dated December 29, 2006 with an outstanding balance at June 30, 2015 of \$3,460,000 and the KADD Agreement dated May 12, 2005, with an outstanding balance at June 30, 2015 of \$4,085,000 were refinanced by SD4 subsequent to year-end. In addition, the assets related to the debt obligations will be transferred to SD4 upon completion of the refinancing.

**BOYD COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2015

BOYD 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 | \$ 12,029,250 | \$ 12,436,632 | \$ 13,007,078 | \$ 570,446 |
| In Lieu Tax Payments | 175,000 | 175,000 | 171,006 | (3,994) |
| Excess Fees | 150,000 | 572,714 | 572,714 | - |
| Licenses and Permits | 3,250 | 3,250 | 1,768 | (1,482) |
| Intergovernmental | 2,622,300 | 2,622,300 | 3,063,433 | 441,133 |
| Charges for Services | 30,000 | 30,000 | 54,119 | 24,119 |
| Miscellaneous | 333,576 | 333,576 | 359,747 | 26,171 |
| Interest | 850 | 850 | 1,920 | 1,070 |
| Total Receipts | <u>15,344,226</u> | <u>16,174,322</u> | <u>17,231,785</u> | <u>1,057,463</u> |
| DISBURSEMENTS | | | | |
| General Government | 4,336,105 | 5,112,848 | 4,906,518 | 206,330 |
| Protection to Persons and Property | 1,159,899 | 1,190,634 | 1,133,821 | 56,813 |
| General Health and Sanitation | 387,410 | 435,275 | 417,965 | 17,310 |
| Social Services | - | 5,000 | 5,000 | - |
| Recreation and Culture | 729,750 | 1,020,154 | 1,016,343 | 3,811 |
| Roads | - | 33,927 | 33,927 | - |
| Debt Service | 452,864 | 454,436 | 447,331 | 7,105 |
| Administration | 3,653,347 | 3,297,197 | 2,902,570 | 394,627 |
| Total Disbursements | <u>10,719,375</u> | <u>11,549,471</u> | <u>10,863,475</u> | <u>685,996</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>4,624,851</u> | <u>4,624,851</u> | <u>6,368,310</u> | <u>1,743,459</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Borrowed Money | - | - | 559,070 | 559,070 |
| Transfers From Other Funds | - | - | 353,273 | 353,273 |
| Transfers To Other Funds | <u>(5,224,851)</u> | <u>(5,224,851)</u> | <u>(6,414,266)</u> | <u>(1,189,415)</u> |
| Total Other Adjustments to Cash (Uses) | <u>(5,224,851)</u> | <u>(5,224,851)</u> | <u>(5,501,923)</u> | <u>(277,072)</u> |
| Net Change in Fund Balance | (600,000) | (600,000) | 866,387 | 1,466,387 |
| Fund Balance - Beginning | <u>600,000</u> | <u>600,000</u> | <u>662,641</u> | <u>62,641</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,529,028</u> | <u>\$ 1,529,028</u> |

BOYD 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 | \$ 1,909,695 | \$ 1,909,695 | \$ 2,030,951 | \$ 121,256 |
| Charges for Services | 3,000 | 3,000 | 2,561 | (439) |
| Miscellaneous | 43,000 | 43,000 | 78,317 | 35,317 |
| Interest | 200 | 200 | 200 | - |
| Total Receipts | 1,955,895 | 1,955,895 | 2,112,029 | 156,134 |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | - | 781,838 | 781,838 | - |
| Roads | 2,708,948 | 4,719,286 | 4,478,786 | 240,500 |
| Debt Service | 212,408 | 734,093 | 626,395 | 107,698 |
| Administration | 585,370 | 1,247,865 | 452,369 | 795,496 |
| Total Disbursements | 3,506,726 | 7,483,082 | 6,339,388 | 1,143,694 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (1,550,831) | (5,527,187) | (4,227,359) | 1,299,828 |
| Other Adjustments to Cash (Uses) | | | | |
| Borrowed Money | - | 2,000,000 | 1,500,000 | (500,000) |
| Transfers From Other Funds | 1,510,831 | 3,487,187 | 3,249,802 | (237,385) |
| Transfers To Other Funds | - | - | (355,135) | (355,135) |
| Total Other Adjustments to Cash (Uses) | 1,510,831 | 5,487,187 | 4,394,667 | (1,092,520) |
| Net Change in Fund Balance | (40,000) | (40,000) | 167,308 | 207,308 |
| Fund Balance - Beginning | 40,000 | 40,000 | (513) | (40,513) |
| Fund Balance - Ending | \$ - | \$ - | \$ 166,795 | \$ 166,795 |

BOYD 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 | \$ 709,778 | \$ 709,778 | \$ 971,403 | \$ 261,625 |
| Charges for Services | 214,697 | 214,697 | 96,843 | (117,854) |
| Miscellaneous | 239,000 | 239,000 | 109,804 | (129,196) |
| Interest | - | - | 107 | 107 |
| Total Receipts | <u>1,163,475</u> | <u>1,163,475</u> | <u>1,178,157</u> | <u>14,682</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 2,809,233 | 2,623,586 | 2,568,151 | 55,435 |
| Debt Service | 292,698 | 500,633 | 130,108 | 370,525 |
| Administration | 634,935 | 612,647 | 596,551 | 16,096 |
| Total Disbursements | <u>3,736,866</u> | <u>3,736,866</u> | <u>3,294,810</u> | <u>442,056</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(2,573,391)</u> | <u>(2,573,391)</u> | <u>(2,116,653)</u> | <u>456,738</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 2,573,391 | 2,573,391 | 2,767,881 | 194,490 |
| Transfers To Other Funds | - | - | (370,076) | (370,076) |
| Total Other Adjustments to Cash (Uses) | <u>2,573,391</u> | <u>2,573,391</u> | <u>2,397,805</u> | <u>(175,586)</u> |
| Net Change in Fund Balance | - | - | 281,152 | 281,152 |
| Fund Balance - Beginning | - | - | (2,922) | (2,922) |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 278,230</u> | <u>\$ 278,230</u> |

BOYD 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 | \$ 176,000 | \$ 176,000 | \$ 265,666 | \$ 89,666 |
| Interest | 100 | 100 | 408 | 308 |
| Total Receipts | <u>176,100</u> | <u>176,100</u> | <u>266,074</u> | <u>89,974</u> |
| DISBURSEMENTS | | | | |
| Social Services | 15,000 | 35,000 | 26,860 | 8,140 |
| Recreation and Culture | 10,000 | 10,000 | - | 10,000 |
| Roads | 310,000 | 310,000 | - | 310,000 |
| Airports | 20,000 | 20,000 | 15,000 | 5,000 |
| Administration | 21,100 | 1,100 | - | 1,100 |
| Total Disbursements | <u>376,100</u> | <u>376,100</u> | <u>41,860</u> | <u>334,240</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(200,000)</u> | <u>(200,000)</u> | <u>224,214</u> | <u>424,214</u> |
| Transfers From Other Funds | - | - | 53,328 | 53,328 |
| Transfers To Other Funds | - | - | (508,204) | (508,204) |
| Total Other Adjustments to Cash (Uses) | <u>-</u> | <u>-</u> | <u>(454,876)</u> | <u>(454,876)</u> |
| Net Change in Fund Balance | <u>(200,000)</u> | <u>(200,000)</u> | <u>(230,662)</u> | <u>(30,662)</u> |
| Fund Balance - Beginning | <u>200,000</u> | <u>200,000</u> | <u>295,470</u> | <u>95,470</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,808</u> | <u>\$ 64,808</u> |

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

ECONOMIC DEVELOPMENT FUND

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts,</u> <u>(Budgetary Basis)</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|-------------------------|--------------|--|---|
| | <u>Original</u> | <u>Final</u> | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ - | \$ - | \$ 2,888 | 2,888 |
| Total Receipts | - | - | 2,888 | 2,888 |
| DISBURSEMENTS | | | | |
| Recreation and Culture | - | - | - | - |
| Total Disbursements | - | - | - | - |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | | 2,888 | 2,888 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | - | - | - | - |
| Transfers To Other Funds | - | - | (2,738) | (2,738) |
| Total Other Adjustments to Cash (Uses) | - | - | (2,738) | (2,738) |
| Net Change in Fund Balance | - | - | 150 | 150 |
| Fund Balance - Beginning | - | - | 238 | 238 |
| Fund Balance - Ending | \$ - | \$ - | \$ 388 | \$ 388 |

BOYD 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 |
| | Original | Final | | | Positive (Negative) |
| RECEIPTS | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | - |
| Interest | - | - | - | - | - |
| Total Receipts | - | - | - | - | - |
| DISBURSEMENTS | | | | | |
| Protection to Persons and Property | - | - | - | - | - |
| General Health and Sanitation | - | - | - | - | - |
| Administration | - | - | - | - | - |
| Total Disbursements | - | - | - | - | - |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | - | - | - | - | - |
| Other Adjustments to Cash (Uses) | | | | | |
| Transfers From Other Funds | - | - | 1,000 | 1,000 | |
| Transfers To Other Funds | - | - | - | - | |
| Total Other Adjustments to Cash (Uses) | - | - | 1,000 | 1,000 | |
| Net Change in Fund Balance | | | 1,000 | 1,000 | |
| Fund Balance - Beginning | - | - | - | - | |
| Fund Balance - Ending | \$ - | \$ - | \$ 1,000 | \$ 1,000 | |

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

EMERGENCY FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------|--|---|
| | Original | Final | | |
| | | | | |
| RECEIPTS | | | | |
| Interest | \$ 250 | \$ 250 | \$ 34 | \$ (216) |
| Total Receipts | 250 | 250 | 34 | (216) |
| DISBURSEMENTS | | | | |
| Administration | 157,117 | 157,117 | - | 157,117 |
| Total Disbursements | 157,117 | 157,117 | - | 157,117 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (156,867) | (156,867) | 34 | 156,901 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers To Other Funds | - | - | (156,000) | (156,000) |
| Total Other Adjustments to Cash (Uses) | - | - | (156,000) | (156,000) |
| Net Change in Fund Balance | (156,867) | (156,867) | (155,966) | 901 |
| Fund Balance - Beginning | 156,867 | 156,867 | 156,906 | 39 |
| Fund Balance - Ending | \$ - | \$ - | \$ 940 | \$ 940 |

BOYD COUNTY**BUDGETARY COMPARISON SCHEDULES**
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)**SEWER PROJECTS FUND**

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget |
|--|--------------------|--------------------|--|-------------------------------|
| | Original | Final | | |
| | | | Positive (Negative) | |
| RECEIPTS | | | | |
| Interest | \$ - | \$ - | \$ 17 | \$ 17 |
| Total Receipts | <u>-</u> | <u>-</u> | <u>17</u> | <u>17</u> |
| DISBURSEMENTS | | | | |
| Debt Service | <u>1,140,629</u> | <u>1,140,629</u> | <u>835,160</u> | <u>305,469</u> |
| Total Disbursements | <u>1,140,629</u> | <u>1,140,629</u> | <u>835,160</u> | <u>305,469</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(1,140,629)</u> | <u>(1,140,629)</u> | <u>(835,143)</u> | <u>305,486</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>1,140,629</u> | <u>1,140,629</u> | <u>835,160</u> | <u>(305,469)</u> |
| Total Other Adjustments to Cash (Uses) | <u>1,140,629</u> | <u>1,140,629</u> | <u>835,160</u> | <u>(305,469)</u> |
| Net Change in Fund Balance | - | - | 17 | 17 |
| Fund Balance - Beginning | <u>-</u> | <u>-</u> | <u>136</u> | <u>136</u> |
| Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 153</u> | <u>\$ 153</u> |

BOYD COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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.

**BOYD COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2015

BOYD 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 and Land Improvements | \$ 6,114,598 | \$ 778,400 | \$ - | \$ 6,892,998 |
| Construction In Progress | 121,212 | 311 | 121,523 | - |
| Buildings and Improvements | 27,082,068 | 121,523 | - | 27,203,591 |
| Vehicles and Equipment | 4,736,067 | 441,933 | 128,748 | 5,049,252 |
| Transmission Lines and Equipment | 26,693,997 | - | - | 26,693,997 |
| Infrastructure | 12,097,597 | 1,584,153 | - | 13,681,750 |
| Total Capital Assets | \$ 76,845,539 | \$ 2,926,320 | \$ 250,271 | \$ 79,521,588 |

BOYD 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 | \$ 12,500 | 10-60 |
| Buildings and Building Improvements | \$ 25,000 | 10-75 |
| Equipment | \$ 2,500 | 3-25 |
| Vehicles | \$ 2,500 | 3-25 |
| Infrastructure (including Transmission Lines) | \$ 20,000 | 10-50 |

**BOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2015

BOYD COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

| Federal Grantor CFDA # | Program Title | Pass-Through Grantor's Number | Expenditures |
|---|---------------|----------------------------------|--------------------------|
| <u>U. S. Department of Transportation</u> | | | |
| <i>Passed-Through State Transportation Cabinet:</i> | | | |
| 20.602 Occupant Protection Incentive Grants | | M2HVE-2015-15-05 | \$ 3,911 |
| Total U.S. Department of Transportation | | | <u>3,911</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| <i>Passed-Through State Department of Military Affairs:</i> | | | |
| 97.039 Hazard Mitigation Grant Program | | HMGP-4008-0004 | 403,386 ** |
| 97.029 Flood Mitigation Assistance | | FMA2013-007 | 152,937 |
| 97.029 Flood Mitigation Assistance | | FMA2013-009 | 162,714 |
| Total U.S. Department of Homeland Security | | | <u>719,037</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 722,948</u> |

**Tested as Major Program or Cluster

BOYD 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 Boyd County, Kentucky and is presented on a modified cash basis of accounting. 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 ending June 30, 2015 or were deemed high risk. There was one Type A program. The major program tested was CFDA # 97.039 – Hazard Mitigation Grant Program.

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year ending June 30, 2015.

INDEPENDENT AUDITOR'S 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 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***

The Honorable Steve Towler, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Boyd County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Boyd County Fiscal Court's financial statement and have issued our report thereon dated June 28, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005 to be material weaknesses.

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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-007 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyd County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 item 2015-006.

Boyd County Judge/Executive's Response to Findings

The Boyd County Judge/Executive's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Boyd County Judge/Executive's responses was 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
June 28, 2016

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

The Honorable Steve Towler, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

Report on Compliance for Each Major Federal Program

We have audited Boyd 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 Boyd County Fiscal Court's major federal programs for the year ended June 30, 2015. Boyd County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Boyd County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Boyd County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Independent Auditor's 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, Boyd 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.

Report on Internal Control over Compliance

Management of Boyd County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boyd County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Boyd 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Kelley Galloway Smith Holsby, PSC

Ashland, Kentucky
June 28, 2016

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

For The Year Ended June 30, 2015

BOYD COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

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

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

| |
|---|
| #97.039 – Hazard Mitigation Grant Program |
|---|

| | |
|--|-----------|
| 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 |
|---|------------------------------|--|

Section II: Findings - Financial Statement Audit

INTERNAL CONTROL - MATERIAL WEAKNESSES

2015-001 The Fiscal Court Lacks Adequate Controls Over Disbursements, Credit Card Purchases, and Purchase Orders

Condition: During our audit, we tested 60 disbursements and noted one (1) invoice was not properly cancelled with the paid stamp.

While performing other procedures we noted that purchase orders are written up and appropriate account codes are assigned when invoices are received. Each department head signs invoices before the treasurer pays the bill.

While performing credit card testing, we noted the following:

- One (1) instance in which sales tax was reimbursed for an online purchase and seven (7) instances where sales tax was paid on hotel charges.
- Five (5) monthly statements in which there was no supporting documentation for 19 credit card charges on the statements.

Criteria: Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the Department Head and the Judge Executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the County.

Purchases should only be made on credit cards if they are a reasonable and allowable expense of the County and in accordance with the County's credit card policy.

Good internal controls dictate all disbursements should have proper supporting documentation.

Effect: Unauthorized charges on the credit card could occur and not be detected and corrected in a timely manner. Misappropriation of public funds could occur.

Cause: Lack of adequate controls over disbursements, credit card purchases and purchase orders.

Recommendation: We recommend the fiscal court determine appropriate internal controls to address the conditions identified in the condition section of this finding. The fiscal court may determine the controls listed above under the criteria section are adequate or may decide to implement other controls to eliminate such internal control weaknesses in the future.

Judge/Executive's Response: Conditions noted. Tighter internal controls are being implemented. Some department heads are now having employees use their own credit cards.

2015-002 The Fiscal Court Lacks Adequate Controls Over Bank Accounts

Condition: We noted the following:

1. No evidence of approval to open/close accounts during the fiscal year ended June 30, 2015. The FEMA account was opened in the current year.
2. No bank reconciliations were performed for the Capital Projects accounts during the fiscal year ended June 30, 2015.
3. The Boyd County Community Center bank account was not included on the 4th quarter report as part of the General Fund.

4. The prior year carryover per the 4th quarter report did not agree with the prior year audited cash balance.

Cause: Lack of internal controls over bank accounts.

Effect: Errors or irregularities may not be detected in a timely manner. Financial statements are incomplete.

Criteria: Good internal controls dictate bank reconciliations are prepared accurately on a monthly basis and the financial accounting system includes all activity. All bank accounts should be included in the financial statements as a part of the fund that the bank account is associated with. The treasurer should obtain fiscal court approval before opening or closing county bank accounts.

Recommendation: We recommend that bank reconciliations are performed on all bank accounts on a monthly basis. We recommend all bank accounts be added to the financial accounting system. We also recommend that the carryover balance in the current year is reconciled to the prior year ending cash balance.

Judge/Executive's Response: No bank reconciliation was due to no activity on the account. An oversight by the Treasurer. Going forward, bank reconciliations will be done on all bank accounts. Boyd County Community is now added to the County's computer financial accounting system. Carryover will be reconciled.

2015-003 The Fiscal Court Lacks Adequate Internal Controls Over Payroll

Condition:

1. The County didn't have a Payroll annual report for 2014 from Paycor due to switching from Paycor to another service center in July 2015 and not being able to access the older records any longer.
2. The 2014 W-2's prepared by Paycor don't show retirement information.
3. The personnel policy states that payment for overtime will be paid after 8 hours worked in a 24 hour period and/or 40 hours having been worked in a week. It also states that hours of pay due to vacation and holidays are to be counted toward 40 hours worked. The policy states that the county judge/executive must approve overtime.

Cause: Lack of internal controls over payroll processing.

Effect: Errors or irregularities might not be detected in a timely manner. Decisions may be based on incorrect or incomplete information.

Criteria:

1. An annual payroll report should be maintained.
2. Retirement should be included on W-2s.
3. The personnel policy should be updated to reflect the fact that overtime is not being approved.

Recommendation:

1. Annual payroll records need to be maintained by the County.
2. Retirement should be reported on W-2s.
3. The personnel policy should be updated to reflect current practices.

Judge/Executive's Response: Court will assure that we have an annual payroll report at year-end. W-2's will now show retirement. The County's policy will be changed to reflect that each department supervisor will now sign off on overtime.

2015-004 Duties are Not Adequately Segregated Over Receipts and Reconciliations

Condition: During fiscal year 2015, the county treasurer prepared and deposited receipts, posted receipts and disbursements to the accounting system, maintained the purchase order listing, prepared checks for disbursement, prepared monthly reports for fiscal court and quarterly reports for the Department for Local Government, made cash transfers between funds and bank accounts, and performed bank reconciliations for all bank accounts. While some compensating controls are in place, including the preparation of a receipts log by the finance officer and the review of prepared checks by the county judge/executive or his designee, they are not sufficient.

Cause: Lack of compensating controls to offset the severity of this internal controls weakness.

Effect: Because duties were not adequately segregated, posting errors were made in both receipts and disbursements. We have prepared a schedule of proposed audit adjustments for review. Lack of adequate segregation of duties and too much control by one individual could result in the undetected misappropriation of assets and/or inaccurate financial reporting. A sufficient internal control structure requires adequate segregation of duties. Without proper segregation, the county cannot ensure all receipts are deposited and all bank activity is appropriately documented in the accounting system.

Criteria: Good internal controls dictate that the same employee should not be handling, recording and reconciling cash receipts.

Recommendation: We recommend the county segregate incompatible duties or implement strong compensating controls to mitigate the risk identified above. The county should determine which duties should be performed by the judge/executive or the finance officer that will address these weaknesses.

Judge/Executive's Response: Cash receipts are now being posted by another employee.

2015-005 The Jail Lacks Adequate Segregation of Duties Over Jail Commissary Transactions

Condition: During our review of internal control, we noted the Jail has a lack of adequate segregation of duties over the Jail Commissary. A control deficiency occurs when someone has custody over assets and the responsibility of recording financial transactions. The bookkeeper for the Jail Commissary prepares deposits, prepares daily checkout sheets, and posts to the receipts ledger. In addition, the bookkeeper prepares monthly collection and disbursement reports, posts to the disbursements ledger, and prepares monthly bank reconciliations.

Cause: Lack of compensating controls to offset the severity of this internal controls weakness.

Effect: Misappropriation of assets and/or inaccurate financial reporting could occur and not be detected in a timely manner.

Criteria: Good internal controls dictate that the same employee should not be handling, recording and reconciling cash receipts.

Recommendation: We recommend the Jailer implement compensating controls to offset the lack of segregation of duties.

Jailer's Response: Everything that goes into the system must match with the reports through Cobra Banker. Any money removed from the kiosks, daily bank deposits, monthly and yearly reconciliations must match with the Cobra Banker system. Any discrepancies would quickly become apparent to the auditors at Cobra Banker as well as to the auditors that look over the reports on a yearly basis.

apparent to the auditors at Cobra Banker as well as to the auditors that look over the reports on a yearly basis.

NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

2015-006 The Treasurer Should Prepare an Accurate Liabilities Schedule

Condition: The Treasurer did not include all outstanding debt held in the County's name on the liabilities schedule submitted to the Department For Local Government.

Cause: Oversight by the Treasurer.

Effect: The Fiscal Court, State Local Debt Officer and the Department for Local Government may not be aware of all debt held in the County's name.

Criteria: Counties are required to include a complete and accurate liabilities schedule with their quarterly reports submitted to the Department for Local Government.

Recommendation: We recommend that the County ensure that the Treasurer maintains a complete and accurate liabilities schedule in the future.

Judge/Executive's Response: This was due to an oversight on the Treasurer's part. This debt occurred when the court paid off a long outstanding debt by borrowing from another bank and it was short term. A complete and accurate debt schedule is now maintained.

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

2015-007 The County Should Maintain Complete and Accurate Capital Asset Schedules

Condition: During our audit, we noted the following:

- The capital asset listing provided did not include infrastructure, land or constructed assets added during the fiscal year ended June 30, 2015.
- Equipment, land, and infrastructure exceeding the threshold for capitalization were not included in the list.

Cause: The fiscal court does not properly maintain a capital asset schedule.

Effect: Material capital asset additions and disposals may occur and not be captured in the schedule of capital assets.

Criteria: Counties are required to maintain capital asset records in accordance with the Budget Manual provided by the Department for Local Government. Capital Asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. Capital asset records should include the following:

- Description of asset (including quantity where applicable).
- Historical cost of the asset.
- Date of acquisition.
- Date of capital improvement.
- Date of disposal.
- Useful life of asset.
- Salvage value, if any.
- Copies of all lease agreements.
- Proceeds from sale or disposal of assets.

All contracts, invoices, purchase orders and authorizations, vendor bidding documents, receipts, deeds, etc. must be maintained/filed with the asset documentation records.

Recommendation: We recommend that the fiscal court ensure that a capital asset schedule is maintained and updated as assets are purchased and sold or otherwise disposed of.

Judge/Executive's Response: Tighter controls are now being implemented on our capital assets. Each department supervisor is required to report any capital asset bought or sold immediately to the fiscal court.

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

None noted.

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

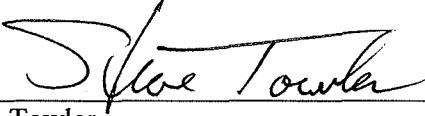
BOYD COUNTY FISCAL COURT

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

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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


Steve Towler
County Judge/Executive


Patricia Ball
County Treasurer