

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable James Anderson, Jr., Powell County Judge/Executive

Members of the Powell County Fiscal Court

The enclosed report prepared by Teddy Michael Prater CPA, PLLC presents the financial statement of Powell County, Kentucky, for the year ended June 30, 2017.

We engaged Teddy Michael Prater CPA, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Teddy Michael Prater CPA, PLLC evaluated the Powell County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon".

Mike Harmon
Auditor of Public Accounts

Enclosure

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To the People of Kentucky
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Members of the Powell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Powell County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Powell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Powell County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Powell County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis-of-Matter

Deficit Fund Balance

As discussed in Note 12 to the financial statement, the Powell County Fiscal Court had an actual deficit fund balance in its jail fund of \$37,970 at June 30, 2017. The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid. The financial statement does not include any adjustment for a fiscal year-end deficit. This matter does not affect our opinion on the financial statement.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Powell County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary Information (Continued)

The accompanying Budgetary Comparison Schedules, Capital Asset Schedule, and the 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 January 19, 2018, on our consideration of the Powell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Powell County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 Interfund Payables Result In A Deficit For The Jail Fund
- 2017-002 The Powell County Fiscal Court Has Weak Internal Controls Over Transfer Station Receipts

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

January 19, 2018

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2017

Fiscal Court Members:

James Anderson, Jr.	County Judge/Executive
Keith Hall	Magistrate
Kenneth Rice	Magistrate
Michael Lockard	Magistrate
Timmy Tipton	Magistrate
Donna Gabbard	Magistrate

Other Elected Officials:

Robert G. King	County Attorney
Travis Crabtree	Jailer
Rhonda A. Barnett	County Clerk
Patricia Darlene Drake	Circuit Court Clerk
Danny Rogers	Sheriff
Dustin Billings	Property Valuation Administrator
Hondo Hearne	Coroner

Appointed Personnel:

Connie Crabtree	County Treasurer
Kacey Davidson	Finance Officer / Payroll Clerk

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	LGEA Fund
RECEIPTS				
Taxes	\$ 2,041,538	\$	\$	\$
In Lieu Tax Payments	28,138			
Excess Fees	14,111			
Intergovernmental	399,273	1,450,999	1,602,965	211,741
Charges for Services	94,554		35,225	
Miscellaneous	752,776	34,450	53,543	288
Interest	351	615	78	223
Total Receipts	<u>3,330,741</u>	<u>1,486,064</u>	<u>1,691,811</u>	<u>212,252</u>
DISBURSEMENTS				
General Government	1,309,741			16,954
Protection to Persons and Property	5,565		1,427,680	43,830
General Health and Sanitation	362,240		109,268	
Social Services	20,000			7,000
Recreation and Culture	367,128			6,000
Transportation Facilities and Services		47,168		
Roads		914,508		105,505
Airports				6,000
Debt Service	75,897	43,898		
Capital Projects		138,865		
Administration	547,054	151,439	374,343	10,916
Total Disbursements	<u>2,687,625</u>	<u>1,295,878</u>	<u>1,911,291</u>	<u>196,205</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>643,116</u>	<u>190,186</u>	<u>(219,480)</u>	<u>16,047</u>
Other Adjustments to Cash (Uses)				
Financing Obligations Proceeds		136,402		
Transfers From Other Funds	193,007		195,000	10,000
Transfers To Other Funds	(684,400)			(10,000)
Total Other Adjustments to Cash (Uses)	<u>(491,393)</u>	<u>136,402</u>	<u>195,000</u>	
Net Change in Fund Balance	151,723	326,588	(24,480)	16,047
Fund Balance - Beginning (Restated)	213,876	302,796	46,037	215,618
Fund Balance - Ending	<u>\$ 365,599</u>	<u>\$ 629,384</u>	<u>\$ 21,557</u>	<u>\$ 231,665</u>
Composition of Fund Balance				
Bank Balance	\$ 373,815	\$ 656,178	\$ 44,682	\$ 248,102
Less: Outstanding Checks	(8,216)	(26,794)	(23,125)	(16,437)
Fund Balance - Ending	<u>\$ 365,599</u>	<u>\$ 629,384</u>	<u>\$ 21,557</u>	<u>\$ 231,665</u>

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

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

Budgeted Funds					
CSEPP Fund	Forest Fire Fund	Grants Fund	Ambulance Fund	Dispatch Fund	Senior Citizens Building Fund
\$	\$ 1,654	\$	\$	\$ 121,619	\$
629,959		8,481	10,000	124,671	421,396
			878,038		
			8,884		
		39	21	42	
629,959	1,654	8,520	896,943	246,332	421,396
488,465	1,524	23,187	835,744	286,833	
			78,461		
					415,379
		4,225	260,384	81,494	
488,465	1,524	27,412	1,174,589	368,327	415,379
141,494	130	(18,892)	(277,646)	(121,995)	6,017
76,000		11,000	272,300	120,000	100
(182,355)			(652)		
(106,355)		11,000	271,648	120,000	100
35,139	130	(7,892)	(5,998)	(1,995)	6,117
27	25	64,705	23,282	2,110	
\$ 35,166	\$ 155	\$ 56,813	\$ 17,284	\$ 115	\$ 6,117
\$ 41,040	\$ 155	\$ 59,024	\$ 27,819	\$ 115	\$ 43,774
(5,874)		(2,211)	(10,535)		(37,657)
\$ 35,166	\$ 155	\$ 56,813	\$ 17,284	\$ 115	\$ 6,117

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

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

	Unbudgeted Funds			
	NADA Housing Fund	Jail Commissary Fund	Jail Construction Fund	Total Funds
RECEIPTS				
Taxes	\$	\$	\$	\$ 2,164,811
In Lieu Tax Payments				28,138
Excess Fees				14,111
Intergovernmental				4,859,485
Charges for Services				1,007,817
Miscellaneous		127,636		977,577
Interest		22	4,335	5,726
Total Receipts		127,658	4,335	9,057,665
DISBURSEMENTS				
General Government				1,326,695
Protection to Persons and Property				3,112,828
General Health and Sanitation				471,508
Social Services				27,000
Recreation and Culture		114,057		487,185
Transportation Facilities and Services				47,168
Roads				1,020,013
Airports				6,000
Debt Service			154,903	353,159
Capital Projects			2,514,643	3,068,887
Administration	127			1,429,982
Total Disbursements	127	114,057	2,669,546	11,350,425
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(127)	13,601	(2,665,211)	(2,292,760)
Other Adjustments to Cash (Uses)				
Financing Obligations Proceeds				136,402
Transfers From Other Funds				877,407
Transfers To Other Funds				(877,407)
Total Other Adjustments to Cash (Uses)				136,402
Net Change in Fund Balance	(127)	13,601	(2,665,211)	(2,156,358)
Fund Balance - Beginning (Restated)	127	3,328	5,240,142	6,112,073
Fund Balance - Ending	\$ 0	\$ 16,929	\$ 2,574,931	\$ 3,955,715
Composition of Fund Balance				
Bank Balance	\$	\$ 16,929	\$ 2,574,931	\$ 4,086,564
Less: Outstanding Checks				(130,849)
Fund Balance - Ending	\$ 0	\$ 16,929	\$ 2,574,931	\$ 3,955,715

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

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TO THE FINANCIAL STATEMENT**

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**POWELL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Local Government Economic Assistance (LGEA) 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.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund - The primary purpose of this fund is to account for federal CSEPP grant monies to improve Powell County's capacity to plan for and respond to potential accidents associated with the storage and ultimate disposal of chemical warfare materials located at the Bluegrass Army Depot in neighboring Madison County. The U.S. Congress appropriates funding for reimbursement of CSEPP disbursements. CSEPP funds may not be commingled with other funds.

Forest Fire Fund - The primary purpose of this fund is to account for the taxes received and the related disbursements to prevent forest fires.

Grants Fund - The primary purpose of this fund is to account for the grants that are received from various state agencies and the federal government. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Ambulance Fund - The purpose of this fund is to account for the receipts and disbursements of the ambulance service operations.

Dispatch Fund - The primary purpose of this fund is to account for receipts and disbursements of the county's emergency operations.

Senior Citizens Building Fund - The primary purpose of this fund is to account for the Community Development Block Grant (CDBG) funds for the construction of a senior citizens building.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

NADA Housing Fund - The primary purpose of this fund had been to account for receipts and disbursements of housing projects in Nada, Kentucky. The only activity during the fiscal year was to close the account.

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

Jail Construction Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund a jail construction project.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(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 Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

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

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

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

E. Powell County Elected Officials

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

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

F. Deposits and Investments

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	LGEA Fund	CSEPP Fund	Ambulance Fund	Total Transfers In
General Fund	\$	\$ 10,000	\$ 182,355	\$ 652	\$ 193,007
Jail Fund	195,000				195,000
LGEA Fund	10,000				10,000
CSEPP Fund	76,000				76,000
Grants Fund	11,000				11,000
Ambulance Fund	272,300				272,300
Dispatch Fund	120,000				120,000
Senior Citizens Building Fund	100				100
Total Transfers Out	<u>\$ 684,400</u>	<u>\$ 10,000</u>	<u>\$ 182,355</u>	<u>\$ 652</u>	<u>\$ 877,407</u>

Reason for transfers:

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

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$14,390.

Note 5. Accounts Receivable

At June 30, 2017, the Powell County Fiscal Court had receivables in the amount of \$271,987, due from insurance companies and customers, for ambulance services as noted below.

Current	\$ 129,148	47%
31-60	42,366	16%
61-90	39,873	15%
91-120	32,223	12%
121+	28,377	10%
Total	<u>\$ 271,987</u>	<u>100%</u>

Note 6. Short-term Debt

A. Promissory Note

On June 5, 2015, the Powell County Fiscal Court entered into a promissory note in the amount of \$73,960 with a local bank for the purchase of three Dodge Chargers for the sheriff's office. The original note matured June 30, 2015, and has been extended each June 30 for the unpaid balance. The sheriff's office has made principal payments and interest payments at a rate of 3.25 percent. The promissory note matures June 30, 2018. The principal balance outstanding as of June 30, 2017, is \$44,416.

B. KACoLT Truck Lease

On November 30, 2016, the Powell County Fiscal Court entered into a lease agreement in the amount of \$136,402 with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a Mack Truck. The lease agreement requires monthly interest payments and one principal payment on May 20, 2018. The principal balance outstanding as of June 30, 2017 is \$136,402.

C. Changes In Short-term Debt

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

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 64,416	\$ 136,402	\$ 20,000	\$ 180,818	\$ 180,818
Total Short-term Debt	<u>\$ 64,416</u>	<u>\$ 136,402</u>	<u>\$ 20,000</u>	<u>\$ 180,818</u>	<u>\$ 180,818</u>

* The beginning balance was restated to account for the promissory note (Note 6.A. above), that was not included in the prior year audit report.

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

Note 7. Long-term Debt

A. KACoFC Revenue Bonds, 2016 First Series B

On May 18, 2016, the Powell County Fiscal Court entered into a \$6,310,000 financing agreement related to the issuance of Kentucky Association of Counties Finance Corporation (KACoFC) Financing Program Revenue Bonds, 2016 First Series B for the construction of a jail project. In addition, the bond proceeds were used to capitalize interest through June 30, 2017, and to pay off the outstanding balances of four Powell County Fiscal Court Detention Facility bank loans.

The financing agreement requires annual principal payments and semiannual interest payments commencing December 20, 2017, and ending December 20, 2035. As of June 30, 2017, the principal balance outstanding is \$6,310,000. Future principal and interest payment requirements are:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 235,000	\$ 216,700
2019	245,000	208,913
2020	255,000	200,800
2021	260,000	192,437
2022	270,000	182,488
2023-2027	1,530,000	728,375
2028-2032	1,830,000	430,612
2033-2036	<u>1,685,000</u>	<u>115,625</u>
Totals	<u>\$ 6,310,000</u>	<u>\$ 2,275,950</u>

B. 2014 Ambulance Lease

On November 7, 2014, the Powell County Fiscal Court entered into a \$75,310 short-term note with a local bank for the acquisition of an ambulance. On July 20, 2015, the note was converted to a five-year loan agreement which requires monthly principal and interest payments of \$1,356, beginning September 1, 2015, with a final scheduled payment date of August 1, 2020. During fiscal year 2017, the fiscal court paid ahead on the loan so that as of June 30, 2017, the principal balance outstanding was \$6,830. Payments for the remaining year are as follows:

Fiscal Year Ended June 30	Principal	Interest
2018	\$ 6,830	\$ 49
Totals	<u>\$ 6,830</u>	<u>\$ 49</u>

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

Note 7. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 6,310,000	\$	\$	\$ 6,310,000	\$ 235,000
Financing Obligations	176,005		169,175	6,830	6,830
Total Long-term Debt	<u>\$ 6,486,005</u>	<u>\$ 0</u>	<u>\$ 169,175</u>	<u>\$ 6,316,830</u>	<u>\$ 241,830</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

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

The county's contribution for FY 2015 was \$438,048, FY 2016 was \$380,380, and FY 2017 was \$453,190.

Nonhazardous

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

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

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

Note 9. Employee Retirement System (Continued)

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

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

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

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

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

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, nonhazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 10. Deferred Compensation

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

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

Note 10. Deferred Compensation (Continued)

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 11. Insurance

For the fiscal year ended June 30, 2017, the Powell County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Fund Balance - Deficit

As of June 30, 2017, the jail fund had a deficit balance of \$37,970. The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid. The financial statement does not include any adjustment for a fiscal year-end deficit.

Cash Balance	\$ 215,570
Interfund Payables	(253,028)
Encumbrances	<u>(512)</u>
Fund Balance	<u>\$ (37,970)</u>

Note 13. Prior Period Adjustments

The beginning balances of the road fund and jail fund were increased by \$61 and \$809, respectively, to account for prior year voided checks.

The beginning balance of the grants fund was decreased by \$27, to account for the beginning balance of the CSEPP fund, which had been included in the grants fund in the period year.

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,006,500	\$ 2,169,500	\$ 2,041,538	\$ (127,962)
In Lieu Tax Payments	20,000	20,000	28,138	8,138
Excess Fees	8,000	8,000	14,111	6,111
Intergovernmental	152,250	389,138	377,222	(11,916)
Charges for Services	91,000	91,000	94,554	3,554
Miscellaneous	775,360	775,360	752,776	(22,584)
Interest	500	500	351	(149)
Total Receipts	3,053,610	3,453,498	3,308,690	(144,808)
DISBURSEMENTS				
General Government	1,310,507	1,392,701	1,309,741	82,960
Protection to Persons and Property	6,600	24,579	5,565	19,014
General Health and Sanitation	361,116	410,472	362,240	48,232
Social Services	20,000	20,000	20,000	
Recreation and Culture	120,360	374,374	367,128	7,246
Debt Service	14,200	55,846	53,846	2,000
Administration	760,853	797,685	547,054	250,631
Total Disbursements	2,593,636	3,075,657	2,665,574	410,083
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	459,974	377,841	643,116	265,275
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	127,137	127,137	193,007	65,870
Transfers To Other Funds	(637,111)	(637,111)	(684,400)	(47,289)
Total Other Adjustments to Cash (Uses)	(509,974)	(509,974)	(491,393)	18,581
Net Change in Fund Balance	(50,000)	(132,133)	151,723	283,856
Fund Balance - Beginning	50,000	132,133	213,876	81,743
Fund Balance - Ending	\$ 0	\$ 0	\$ 365,599	\$ 365,599

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

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 40,000	\$ 40,000	\$	\$ (40,000)
Intergovernmental	1,319,199	1,347,104	1,450,999	103,895
Miscellaneous	31,000	31,000	34,450	3,450
Interest	500	500	615	115
Total Receipts	1,390,699	1,418,604	1,486,064	67,460
DISBURSEMENTS				
Transportation Facilities and Services	30,000	48,000	47,168	832
Roads	816,200	1,165,519	914,508	251,011
Debt Service	12,500	46,000	43,898	2,102
Capital Projects		138,865	138,865	
Administration	637,618	326,774	151,439	175,335
	1,496,318	1,725,158	1,295,878	429,280
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(105,619)	(306,554)	190,186	496,740
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		136,402	136,402	
Transfers From Other Funds	20,000	20,000		(20,000)
Transfers To Other Funds	(127,137)	(127,137)		127,137
Total Other Adjustments to Cash (Uses)	(107,137)	29,265	136,402	107,137
Net Change in Fund Balance	(212,756)	(277,289)	326,588	603,877
Fund Balance - Beginning (Restated)	212,756	302,756	302,796	40
Fund Balance - Ending	\$ 0	\$ 25,467	\$ 629,384	\$ 603,917

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 8,050,450	\$ 8,050,450	\$ 1,602,965	\$ (6,447,485)
Charges for Services	172,300	172,300	35,225	(137,075)
Miscellaneous	65,000	65,000	53,543	(11,457)
Interest	100	100	78	(22)
Total Receipts	8,287,850	8,287,850	1,691,811	(6,596,039)
DISBURSEMENTS				
Protection to Persons and Property	1,395,250	1,521,770	1,427,680	94,090
General Health and Sanitation	96,400	119,480	109,268	10,212
Debt Service	6,642,421	6,454,069		6,454,069
Administration	396,177	434,460	374,343	60,117
Total Disbursements	8,530,248	8,529,779	1,911,291	6,618,488
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(242,398)	(241,929)	(219,480)	22,449
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	192,398	192,398	195,000	2,602
Total Other Adjustments to Cash (Uses)	192,398	192,398	195,000	2,602
Net Change in Fund Balance	(50,000)	(49,531)	(24,480)	25,051
Fund Balance - Beginning (Restated)	50,000	50,000	46,037	(3,963)
Fund Balance - Ending	\$ 0	\$ 469	\$ 21,557	\$ 21,088

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 148,600	\$ 148,600	\$ 211,741	\$ 63,141
Miscellaneous	1,000	1,000	288	(712)
Interest	1,000	1,000	223	(777)
Total Receipts	150,600	150,600	212,252	61,652
DISBURSEMENTS				
General Government	18,407	18,407	16,954	1,453
Protection to Persons and Property	77,000	57,000	43,830	13,170
Social Services	7,000	7,000	7,000	
Recreation and Culture	6,000	6,000	6,000	
Roads	160,000	125,000	105,505	19,495
Airports	6,000	6,000	6,000	
Administration	36,193	77,069	10,916	66,153
Total Disbursements	310,600	296,476	196,205	100,271
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(160,000)	(145,876)	16,047	161,923
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	10,000	
Transfers To Other Funds			(10,000)	(10,000)
Total Other Adjustments to Cash (Uses)	10,000	10,000		(10,000)
Net Change in Fund Balance	(150,000)	(135,876)	16,047	151,923
Fund Balance - Beginning	150,000	215,000	215,618	618
Fund Balance - Ending	\$ 0	\$ 79,124	\$ 231,665	\$ 152,541

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

CSEPP				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 660,000	\$ 660,000	\$ 629,959	\$ (30,041)
Total Receipts	660,000	660,000	629,959	(30,041)
DISBURSEMENTS				
Protection to Persons and Property	660,000	690,568	488,465	202,103
Administration	50,000	19,432		19,432
Total Disbursements	710,000	710,000	488,465	221,535
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(50,000)	141,494	191,494
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000	76,000	26,000
Transfers To Other Funds			(182,355)	(182,355)
Total Other Adjustments to Cash (Uses)	50,000	50,000	(106,355)	(156,355)
Net Change in Fund Balance			35,139	35,139
Fund Balance - Beginning			27	27
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,166	\$ 35,166

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

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,654	\$ 504
Total Receipts	1,150	1,150	1,654	504
DISBURSEMENTS				
Protection to Persons and Property	1,550	1,550	1,524	26
Total Disbursements	1,550	1,550	1,524	26
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400)	(400)	130	530
Net Change in Fund Balance	(400)	(400)	130	530
Fund Balance - Beginning	400	400	25	(375)
Fund Balance - Ending	\$ 0	\$ 0	\$ 155	\$ 155

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

GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 8,481	\$ (6,519)
Interest	60	60	39	(21)
Total Receipts	15,060	15,060	8,520	(6,540)
DISBURSEMENTS				
Protection to Persons and Property	50,892	50,892	23,187	27,705
Recreation and Culture	39,188	39,188		39,188
Administration	9,000	9,000	4,225	4,775
Total Disbursements	99,080	99,080	27,412	71,668
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(84,020)	(84,020)	(18,892)	65,128
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	39,006	39,006	11,000	(28,006)
Total Other Adjustments to Cash (Uses)	39,006	39,006	11,000	(28,006)
Net Change in Fund Balance	(45,014)	(45,014)	(7,892)	37,122
Fund Balance - Beginning (Restated)	45,014	45,014	64,705	19,691
Fund Balance - Ending	\$ 0	\$ 0	\$ 56,813	\$ 56,813

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

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	853,000	853,000	878,038	25,038
Miscellaneous	8,500	8,500	8,884	384
Interest	100	100	21	(79)
Total Receipts	871,600	871,600	896,943	25,343
DISBURSEMENTS				
Protection to Persons and Property	804,125	859,345	835,744	23,601
Debt Service	20,237	78,461	78,461	
Administration	285,305	260,476	260,384	92
Total Disbursements	1,109,667	1,198,282	1,174,589	23,693
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(238,067)	(326,682)	(277,646)	49,036
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	216,167	216,167	272,300	56,133
Transfers To Other Funds			(652)	(652)
Total Other Adjustments to Cash (Uses)	216,167	216,167	271,648	55,481
Net Change in Fund Balance	(21,900)	(110,515)	(5,998)	104,517
Fund Balance - Beginning	21,900	21,900	23,282	1,382
Fund Balance - Ending	\$ 0	\$ (88,615)	\$ 17,284	\$ 105,899

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

DISPATCH FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 132,000	\$ 132,000	\$ 121,619	\$ (10,381)
Intergovernmental	115,000	115,000	124,671	9,671
Interest	20	20	42	22
Total Receipts	247,020	247,020	246,332	(688)
DISBURSEMENTS				
Protection to Persons and Property	291,060	291,511	286,833	4,678
Administration	65,500	81,494	81,494	
Total Disbursements	356,560	373,005	368,327	4,678
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(109,540)	(125,985)	(121,995)	3,990
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	109,540	109,540	120,000	10,460
Total Other Adjustments to Cash (Uses)	109,540	109,540	120,000	10,460
Net Change in Fund Balance		(16,445)	(1,995)	14,450
Fund Balance - Beginning			2,110	2,110
Fund Balance - Ending	\$ 0	\$ (16,445)	\$ 115	\$ 16,560

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

SENIOR CITIZENS BUILDING FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 421,396	\$ (78,604)
Total Receipts	500,000	500,000	421,396	(78,604)
DISBURSEMENTS				
Capital Projects	500,000	500,000	415,379	84,621
Total Disbursements	500,000	500,000	415,379	84,621
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			6,017	6,017
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100	100
Total Other Adjustments to Cash (Uses)			100	100
Net Change in Fund Balance			6,117	6,117
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,117	\$ 6,117

**POWELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2017

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund for intergovernmental receipts and debt service by \$22,051 due to payments by the sheriff's office directly to the bank for debt service on a promissory note.

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POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017

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POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance*	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 866,466	\$	\$	\$ 866,466
Construction In Progress*	306,774	2,930,022		3,236,796
Buildings	7,696,386			7,696,386
Vehicles and Equipment	3,733,318	494,799	67,384	4,160,733
Infrastructure	4,744,277	579,756		5,324,033
 Total Capital Assets	 <u>\$ 17,347,221</u>	 <u>\$ 4,004,577</u>	 <u>\$ 67,384</u>	 <u>\$ 21,284,414</u>

*The beginning balance has been restated to include \$306,774 for jail construction in progress.

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

June 30, 2017

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Equipment	\$ 3,000	3-25
Vehicles	\$ 3,000	3-5
Infrastructure	\$ 25,000	10-50

**POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2017

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**POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grant	14.228	14 030	\$	\$ 415,389
Total U.S. Department of Housing and Urban Development				<u>415,389</u>
<u>U.S. Department of Transportation</u>				
<i>Passed-Through Kentucky Transportation Cabinet:</i>				
Highway Planning and Construction Grant - Slade Welcome Center	20.205	PO2 628 1000005869	* \$	\$ 252,888
Total U.S. Department of Transportation				<u>252,888</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Chemical Stockpile Emergency Preparedness Program	97.040	PO2 095 16000047101	\$	\$ 486,128
Emergency Management Performance Grant	97.042	PO2 095 17000014471		<u>8,480</u>
Total U.S. Department of Homeland Security				<u>494,608</u>
Total Expenditures of Federal Awards			\$ 0	<u>\$1,162,885</u>

* Passed through to Powell County Tourism Commission.

POWELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Powell County Fiscal Court, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Powell County Fiscal Court, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Powell County Fiscal Court.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Powell County Fiscal Court has not adopted an indirect cost rate.

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

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TEDDY MICHAEL PRATER CPA, PLLC
724 Gifford Road
Salyersville, KY 41465
Telephone (606) 349-8042

The Honorable James Anderson, Jr., Powell County Judge/Executive
Members of the Powell County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Powell County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Powell County Fiscal Court's financial statement and have issued our report thereon dated January 19, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. 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 2017-002 to be a material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Powell 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

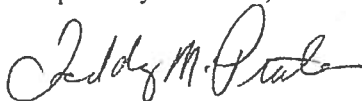
Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Teddy M. Prater", written in a cursive style.

Teddy Michael Prater CPA, PLLC

January 19, 2018

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

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TEDDY MICHAEL PRATER CPA, PLLC
724 Gifford Road
Salyersville, KY 41465
Telephone (606) 349-8042

The Honorable James Anderson, Jr., Powell County Judge/Executive
Members of the Powell County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Powell County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Powell County Fiscal Court's major federal programs for the year ended June 30, 2017. The Powell County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Powell County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Powell County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Powell 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, 2017.

Report on Internal Control over Compliance

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

January 19, 2018

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

Are any material weaknesses identified?	☐ Yes	☐ No
Are any significant deficiencies identified?	☐ Yes	☐ None Reported
Are any noncompliances material to financial statements noted?	☐ Yes	☐ No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	☐ Yes	☐ No
Are any significant deficiencies identified?	☐ Yes	☐ None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☐ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
97.040	Chemical Stockpile Emergency Preparedness Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	☐ Yes ☐ No

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings

State Laws And Regulations

2017-001 Interfund Payables Result In A Deficit For The Jail Fund

This is a repeat finding and was included in the prior year audit report as finding 2016-001. The fiscal court had a deficit fund balance of \$37,970 in the jail fund on June 30, 2017, as shown in the table below:

Cash Balance	\$ 215,570
Interfund Payables	(253,028)
Encumbrances	(512)
Fund Balance	<u>\$ (37,970)</u>

The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid.

In the past, the fiscal court transferred restricted money from the road and LGEA funds to the jail and general funds. A schedule of interfund payables is as follows:

<u>Due From</u>	<u>Due To</u>	<u>6/30/2016 Balance</u>	<u>Increase/ (Decrease)</u>	<u>6/30/2017 Balance</u>
Jail	Road	\$ 253,028	\$	\$ 253,028
General	LGEA	60,987		60,987
		<u>\$ 314,015</u>	<u>\$ 0</u>	<u>\$ 314,015</u>

The road fund is restricted for transportation, with the exception of the amount calculated on the road fund cost allocation worksheet. The LGEA fund is also restricted and can only be spent on allowable categories. KRS 42.455(2) states, "in no event shall grants obtained under this program be used for expenses related to administration of government." Non-allowable disbursements made by the jail and general funds are due back to the road and LGEA funds, respectively.

Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for unpaid liabilities; however, the liability is still owed.

We recommend that the fund liabilities be repaid as money becomes available.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Reply: First of all I feel it is necessary to state once again that this was an issue that came about long before this administration. The auditors know this goes back to at least the early nineties and maybe earlier. It is our hope that with the progress Jailer Crabtree has made and continues to make with the jail that it will be able to start paying back what is owed to the road fund in the near future.

**POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017
(Continued)**

Section II: Financial Statement Findings (Continued)

Internal Control - Material Weakness

2017-002 The Powell County Fiscal Court Has Weak Internal Controls Over Transfer Station Receipts

This is a repeat finding and appeared in the prior year audit report as finding 2016-004.

The transfer station collects money from customers for garbage disposal but does not consistently issue receipts. The review of the cash receipt process for the transfer station revealed weaknesses in the implementation of internal controls that should be improved.

Based on inquiry, all transfer station employees use one cash register receipt tape on site at the transfer station to document the total amount of funds collected each day. Receipt books are used and receipts are issued to customers, but not on a consistent basis. Collections for the day are batched and recorded on checkout sheets. The transfer station delivers collection monies, a checkout sheet, and the cash register receipt tape to the county treasurer on a daily basis, but without a copy of the individual receipts.

Receipts are not reviewed and reconciled to ensure that transfer station collections are accounted for completely.

Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Effectively implemented, internal controls also enhance the accuracy and reliability of accounting records by reducing the risk of errors, intentional mistakes, and misrepresentations in the accounting process.

Due to the high volume of cash transactions, we recommend the transfer station consistently follow the following procedures:

- Pre-numbered receipts should be written and maintained for all monies collected, regardless of whether the customer requests a receipt.
- All monies and a copy of batched receipts should be given to the county treasurer on a daily basis.
- The treasurer should review all receipts to check for missing receipt numbers and compare the total to the moneys collected each day to ensure all transfer station collection receipts are accounted for properly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Reply: We have implemented some policies that have improved the process but agree there can be further improvements made. Recently through a recycling grant we were able to obtain scales and these should help facilitate each customer having to weigh in and out which will require a receipt to be made to determine amount owed. This should take care of any concerns associated with the Transfer Station.

Section III: Federal Award Findings And Questioned Costs

None.

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

Corrective action was taken and the following prior year audit findings were resolved and were not repeated:

2016-002 The Fiscal Court Did Not Maintain A Complete and Accurate Capital Asset Schedule
 2016-003 Invoices Were Not Paid In Timely
 2016-005 The Jailer Did Not Prepare A Complete And Accurate Jail Commissary Report

The following prior year audit findings were not fully corrected, and are restated and repeated:

Finding Number	Prior Year Finding Title	Status	Corrective Action
2016-001	The General And Jail Funds Have Deficits Totaling \$430,256	Partially Resolved	See corrective action for current year finding 2017-001
2016-004	Internal Controls Over Transfer Station Receipts Were Weak	Unresolved	See corrective action for current year finding 2017-002

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

POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2017

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

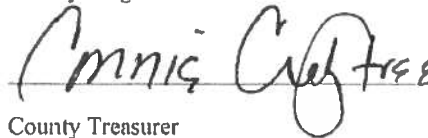
POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2017

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

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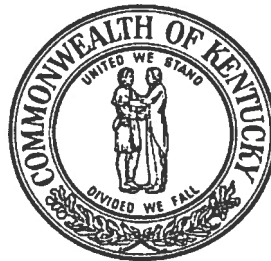
County Judge/Executive

A handwritten signature in cursive script, appearing to read "Annie C. C. C. C.", written over a horizontal line.

County Treasurer

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

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS**
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

The enclosed report prepared by Teddy Michael Prater CPA, PLLC presents the financial statement of Powell County, Kentucky, for the year ended June 30, 2016.

We engaged Teddy Michael Prater, CPA, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC evaluated the Powell County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

Enclosure

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AN EQUAL OPPORTUNITY EMPLOYER M / F / D



EXECUTIVE SUMMARY
AUDIT OF THE
POWELL COUNTY FISCAL COURT

June 30, 2016

Teddy Michael Prater CPA, PLLC has completed the audit of the Powell County Fiscal Court for the fiscal year ended June 30, 2016.

They have issued an unmodified opinion, based on their audit of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Powell County Fiscal Court.

Financial Condition:

The Powell County Fiscal Court had total receipts of \$7,979,454, disbursements of \$9,219,560, and debt proceeds of \$6,683,653 in fiscal year 2016. This resulted in a total ending fund balance of \$6,111,204, which is an increase of \$5,443,547 from the prior year.

Findings:

- 2016-001 The General And Jail Funds Have Deficits Totaling \$430,256
- 2016-002 The Fiscal Court Did Not Maintain A Complete and Accurate Capital Asset Schedule
- 2016-003 Invoices Were Not Paid Timely
- 2016-004 Internal Controls Over Transfer Station Receipts Were Weak
- 2016-005 The Jailer Did Not Prepare A Complete And Accurate Jail Commissary Report

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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TEDDY MICHAEL PRATER CPA, PLLC
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To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable James Anderson, Jr., Powell County Judge/Executive
Members of the Powell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Powell County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Powell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Powell County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Powell County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis-of-Matter

Deficit Fund Balances

As discussed in Note 10 to the financial statement, the Powell County Fiscal Court has actual deficit fund balances in its general and jail funds totaling \$430,256 at June 30, 2016. The general fund deficit is primarily due to payroll related liabilities incurred in prior periods. The jail fund has a deficit primarily because of prior period transfers due back to restricted funds. The financial statement does not include any adjustments for these fiscal year-end deficits. This matter does not affect our opinion on the financial statements.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Powell County Fiscal Court. The Budgetary Comparison Schedules and the Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Matters (Continued)

Supplementary Information (Continued)

The accompanying Budgetary Comparison Schedules and the Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Capital Asset Schedule 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 March 24, 2017 on our consideration of the Powell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Powell County Fiscal Court's internal control over financial reporting and compliance.

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

- 2016-001 The General And Jail Funds Have Deficits Totaling \$430,256
- 2016-002 The Fiscal Court Did Not Maintain A Complete and Accurate Capital Asset Schedule
- 2016-003 Invoices Were Not Paid Timely
- 2016-004 Internal Controls Over Transfer Station Receipts Were Weak
- 2016-005 The Jailer Did Not Prepare A Complete And Accurate Jail Commissary Report

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

March 24, 2017

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

James Anderson, Jr.	County Judge/Executive
Donna Gabbard	Magistrate
Keith Hall	Magistrate
Kenneth Rice	Magistrate
Michael Lockard	Magistrate
Timmy Tipton	Magistrate

Other Elected Officials:

Robert G. King	County Attorney
Travis Crabtree	Jailer
Rhonda A. Barnett	County Clerk
Patricia Darlene Drake	Circuit Court Clerk
Danny Rogers	Sheriff
Dustin Billings	Property Valuation Administrator
Hondo Hearne	Coroner

Appointed Personnel:

Connie Crabtree	County Treasurer
Kacey Davidson	Finance Officer / Payroll Clerk

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 2,136,128	\$	\$
In Lieu Tax Payments	19,905	27,262	
Excess Fees	8,993		
Intergovernmental	225,299	1,607,195	1,392,590
Charges for Services	92,000		37,892
Miscellaneous	597,566	20,935	70,313
Interest	271	384	108
Total Receipts	<u>3,080,162</u>	<u>1,655,776</u>	<u>1,500,903</u>
DISBURSEMENTS			
General Government	1,213,532		
Protection to Persons and Property	436,126		1,343,562
General Health and Sanitation	373,892		92,479
Social Services	20,000		
Recreation and Culture	93,144		
Roads		1,185,486	
Airports			
Debt Service	1,013	1,675	127,193
Capital Projects			
Administration	414,827	160,217	384,845
Total Disbursements	<u>2,552,534</u>	<u>1,347,378</u>	<u>1,948,079</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>527,628</u>	<u>308,398</u>	<u>(447,176)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Bond Premium and Discount			
Financing Obligations Proceeds	51,774	42,813	
Transfers From Other Funds	443,724	42,662	475,000
Transfers To Other Funds	(939,545)	(105,000)	(3,266)
Total Other Adjustments to Cash (Uses)	<u>(444,047)</u>	<u>(19,525)</u>	<u>471,734</u>
Net Change in Fund Balance	83,581	288,873	24,558
Fund Balance - Beginning (Restated)	130,295	13,862	20,670
Fund Balance - Ending	<u>\$ 213,876</u>	<u>\$ 302,735</u>	<u>\$ 45,228</u>
Composition of Fund Balance			
Bank Balance	\$ 239,268	\$ 309,050	\$ 76,980
Plus: Deposits In Transit			2,547
Less: Outstanding Checks	(25,392)	(6,315)	(34,299)
Fund Balance - Ending	<u>\$ 213,876</u>	<u>\$ 302,735</u>	<u>\$ 45,228</u>

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

POWELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

Budgeted Funds					
LGEA Fund	Forest Fire Fund	Grants Fund	NADA Housing Fund	Ambulance Fund	Dispatch Fund
\$	\$ 1,221	\$	\$	\$	\$ 202,164
174,905		342,417		10,000	102,944
				750,165	
				30,361	
276		59		41	23
175,181	1,221	342,476		790,567	305,131
16,154					
44,211	3,048	28,266		790,145	320,513
3,000		20,712			
5,000					
271,664					
6,000					
				34,484	
11,598		8,415		261,895	62,768
357,627	3,048	57,393		1,086,524	383,281
(182,446)	(1,827)	285,083		(295,957)	(78,150)
10,000	500	41,633		315,816	58,500
		(338,724)		(1,300)	
10,000	500	(297,091)		314,516	58,500
(172,446)	(1,327)	(12,008)		18,559	(19,650)
388,064	1,352	76,741	127	4,723	21,760
\$ 215,618	\$ 25	\$ 64,733	\$ 127	\$ 23,282	\$ 2,110
\$ 215,618	\$ 25	\$ 64,733	\$ 127	\$ 37,054	\$ 3,146
				(13,772)	(1,036)
\$ 215,618	\$ 25	\$ 64,733	\$ 127	\$ 23,282	\$ 2,110

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

POWELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

	Unbudgeted Funds		
	Jail Commissary Fund	Jail Construction Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 2,339,513
In Lieu Tax Payments			47,167
Excess Fees			8,993
Intergovernmental			3,855,350
Charges for Services			880,057
Miscellaneous	128,006		847,181
Interest	19	12	1,193
Total Receipts	128,025	12	7,979,454
DISBURSEMENTS			
General Government			1,229,686
Protection to Persons and Property			2,965,871
General Health and Sanitation			466,371
Social Services			43,712
Recreation and Culture	134,760		232,904
Roads			1,457,150
Airports			6,000
Debt Service		924,892	1,089,257
Capital Projects		306,774	306,774
Administration		117,270	1,421,835
Total Disbursements	134,760	1,348,936	9,219,560
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,735)	(1,348,924)	(1,240,106)
Other Adjustments to Cash (Uses)			
Bond Proceeds		6,310,000	6,310,000
Bond Premium and Discount		279,066	279,066
Financing Obligations Proceeds			94,587
Transfers From Other Funds			1,387,835
Transfers To Other Funds			(1,387,835)
Total Other Adjustments to Cash (Uses)		6,589,066	6,683,653
Net Change in Fund Balance	(6,735)	5,240,142	5,443,547
Fund Balance - Beginning (Restated)	10,063		667,657
Fund Balance - Ending	\$ 3,328	\$ 5,240,142	\$ 6,111,204
Composition of Fund Balance			
Bank Balance	\$ 18,795	\$ 5,240,142	\$ 6,204,938
Plus: Deposits In Transit			2,547
Less: Outstanding Checks	(15,467)		(96,281)
Fund Balance - Ending	\$ 3,328	\$ 5,240,142	\$ 6,111,204

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

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TO THE FINANCIAL STATEMENT**

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POWELL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

