

REPORT OF THE AUDIT OF THE
POWELL COUNTY
FISCAL COURT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013



ADAM H. EDELEN

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**For The Fiscal Year Ended
June 30, 2013**



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ADAM H. EDELEN
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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable James Anderson, Powell County Judge/Executive
Members of the Powell County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, Certified Public Accountants, presents the financial statement of Powell County, Kentucky, as of and for the year ended June 30, 2013.

We engaged Ray, Foley, Hensley & Company, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Ray, Foley, Hensley & Company, PLLC evaluated Powell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
POWELL COUNTY FISCAL COURT

June 30, 2013

Ray, Foley, Hensley & Company, PLLC has completed the audit of the Powell County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents – Regulatory Basis of Powell County, Kentucky.

Financial Condition:

The Powell County Fiscal Court had total receipts of \$7,145,237, and disbursements of \$6,802,374 in fiscal year 2013. This resulted in ending cash balances and cash equivalents of \$1,490,978, which was an increase of \$433,007 from the prior year.

Report Comments:

- 2013-01 The Jail Fund Has A Deficit Totaling \$329,280
- 2013-02 Schedule Of Expenditures Of Federal Awards Not Provided To The Auditors Until End Of Fieldwork

Deposits:

The fiscal court's deposits were fully insured and collateralized by bank securities or bonds at June 30, 2013.

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Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

To the People of Kentucky
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Independent Auditors' Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Powell County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

As described in more fully in Note 1, the financial statement is prepared by Powell County, Kentucky 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 Powell County, Kentucky as of June 30, 2013, 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 cash and cash equivalents of Powell County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the financial reporting provisions prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Powell County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

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

To the People of Kentucky
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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Powell County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and the schedule of expenditures of federal awards have 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2014 on our consideration of Powell County, Kentucky'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 and should be considered in assessing the results of our audit.

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

- 2013-01 The Jail Fund Has A Deficit Totaling \$329,280
- 2013-02 Schedule Of Expenditures Of Federal Awards Not Provided To The Auditors Until End Of Fieldwork

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 17, 2014

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

James Anderson	County Judge/Executive
Eck Snowden, Jr.	Magistrate
Ricky Creed	Magistrate
Myers Arnett	Magistrate
John Barker	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
Patricia Holland	Finance Officer
Kacey Johnson	Tax Administrator

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

For The Year Ended June 30, 2013

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

For The Year Ended June 30, 2013

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,875,969	\$ 41,129	\$	\$ 342,673
In Lieu Tax Payments	32,983			
Excess Fees	4,811			
Intergovernmental	169,786	1,230,673	1,042,714	
Charges for Services	194,660		53,876	
Miscellaneous	56,190	13,128	75,538	
Interest	356	841	108	775
Total Receipts	<u>2,334,755</u>	<u>1,285,771</u>	<u>1,172,236</u>	<u>343,448</u>
DISBURSEMENTS				
General Government	637,589			16,135
Protection to Persons and Property	174,064		1,156,271	36,000
General Health and Sanitation	300,572		52,573	2,000
Social Services	20,000			
Recreation and Culture				9,000
Roads		309,511		
Bus Services				42,310
Other Transportation Facilities and Services		20,522		6,000
Debt Service	117,619		160,947	
Capital Projects	583,019	625,152		
Administration	429,976	175,039	274,564	4,158
Total Disbursements	<u>2,262,839</u>	<u>1,130,224</u>	<u>1,644,355</u>	<u>115,603</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>71,916</u>	<u>155,547</u>	<u>(472,119)</u>	<u>227,845</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	90,144			
Transfers From Other Funds	663,296		545,000	
Transfers To Other Funds	(595,000)	(187,000)		(5,000)
Total Other Adjustments to Cash (Uses)	<u>158,440</u>	<u>(187,000)</u>	<u>545,000</u>	<u>(5,000)</u>
Net Change in Cash Balances and Cash Equivalents	230,356	(31,453)	72,881	222,845
Cash Balances and Cash Equivalents - Beginning	63,424	288,085	50,867	403,351
Cash Balances and Cash Equivalents - Ending	<u>\$ 293,780</u>	<u>\$ 256,632</u>	<u>\$ 123,748</u>	<u>\$ 626,196</u>

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

POWELL COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS – REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

Budgeted Funds					Unbudgeted Fund	
Forest Fire	Grants Fund	Nada Housing Fund	Ambulance Fund	Dispatch Fund	Jail Canteen Fund	Total Funds
\$ 1,231	\$	\$	\$	\$	\$	\$ 2,261,002
						32,983
	503,476	40,506	10,169			4,811
			848,933	242,919	356,608	2,997,324
			4,922		30	1,696,996
	54		126	37	16	149,808
<u>1,231</u>	<u>503,530</u>	<u>40,506</u>	<u>864,150</u>	<u>242,956</u>	<u>356,654</u>	<u>7,145,237</u>
						653,724
	62,477		932,567	246,097	353,396	2,960,872
		40,506				355,145
						60,506
						9,000
						309,511
						42,310
						26,522
						278,566
					14,310	1,222,481
						883,737
	<u>62,477</u>	<u>40,506</u>	<u>932,567</u>	<u>246,097</u>	<u>367,706</u>	<u>6,802,374</u>
<u>1,231</u>	<u>441,053</u>		<u>(68,417)</u>	<u>(3,141)</u>	<u>(11,052)</u>	<u>342,863</u>
						90,144
	50,000					1,258,296
	(471,296)					(1,258,296)
	(421,296)					90,144
<u>1,231</u>	<u>19,757</u>		<u>(68,417)</u>	<u>(3,141)</u>	<u>(11,052)</u>	<u>433,007</u>
<u>729</u>	<u>88,034</u>	<u>127</u>	<u>103,598</u>	<u>20,000</u>	<u>39,756</u>	<u>1,057,971</u>
<u>\$ 1,960</u>	<u>\$ 107,791</u>	<u>\$ 127</u>	<u>\$ 35,181</u>	<u>\$ 16,859</u>	<u>\$ 28,704</u>	<u>\$ 1,490,978</u>

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, 2013

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.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Local Government Economic Assistance (LGEA) Fund - These funds may be spent for public safety, environmental protection, public transportation, health, recreation, libraries, social services, industrial and economic development, workforce training, and secondary wood industry development. In no event shall these funds be used for expenses relating to the administration of government. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Forest Fire Fund - The primary purpose of this fund is to account for the taxes received and the related expenditures 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 expenditures separately from the General Fund.

Nada Housing Fund - The primary purpose of this fund is to account for receipts and disbursements of housing projects in Nada, Kentucky.

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

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

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation 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 Canteen Fund.

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures 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.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Jail Canteen Fund. The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

E. Powell County Elected Officials

Kentucky law provides for election of the officials 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 statements of Powell County, Kentucky.

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

F. Deposits and Investments

The government's cash and cash equivalents are 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.

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

G. Long-term Obligations

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Management's Review of Subsequent Events

The County has evaluated and considered the need to recognize or disclose subsequent events through February 17, 2014, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the County.

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(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, 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 2013:

	General Fund	Road Fund	Jail Fund	LGEA Fund	Grants Fund	Total Transfers In
General Fund	\$	\$ 187,000	\$	\$ 5,000	\$ 471,296	\$ 663,296
Road Fund						
Jail Fund	545,000					545,000
LGEA Fund						
Grants Fund	50,000					50,000
Total Transfers Out	<u>\$ 595,000</u>	<u>\$ 187,000</u>	<u>\$</u>	<u>\$ 5,000</u>	<u>\$ 471,296</u>	<u>\$ 1,258,296</u>

The purpose of transfers is to move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them. Additionally, the Jail fund owes the Road fund \$253,028, the Jail fund owes the LGEA fund \$200,000, the Ambulance fund owes the LGEA fund \$65,987, and the LGEA fund owes the Road fund \$113,500, as of June 30, 2013.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt

A. Kentucky Local Correctional Facilities Construction Authority

The Kentucky Local Correctional Facilities Construction Authority (KLCFCA), an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The KLCFCA issued \$510,503 of revenue bonds at various interest rates, of which the county has agreed to pay \$262,452 principal and proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 2013, totaled \$34,699. Debt service requirements for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 16,770	\$ 1,818
2015	17,929	619
Totals	<u>\$ 34,699</u>	<u>\$ 2,437</u>

B. Refinancing And Expansion Of Existing Detention Facility

On July 3, 2003, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$475,000 for the purpose of refinancing and expansion of the existing detention facility. The agreement requires monthly payments of \$3,221 for 240 months, to be paid in full on July 3, 2023. As of June 30, 2013, the principal balance outstanding was \$303,508. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 23,572	\$ 15,079
2015	24,815	13,836
2016	26,124	12,528
2017	27,502	11,150
2018	28,952	9,700
2019-2023	169,336	23,924
2024	3,207	14
Totals	<u>\$ 303,508</u>	<u>\$ 86,231</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

C. Improvements To Detention Facility

On January 7, 2005, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$495,000 for the purpose of financing the improvements to the detention facility. The agreement requires monthly payments of \$3,308 for 240 months, to be paid in full on January 7, 2025. As of June 30, 2013, the principal balance outstanding was \$345,761. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 22,413	\$ 17,283
2015	23,595	16,101
2016	24,839	14,856
2017	26,149	13,547
2018	27,528	12,168
2019-2023	161,005	37,471
2024-2028	60,232	2,618
Totals	<u>\$ 345,761</u>	<u>\$ 114,044</u>

D. Detention Facility Improvements And Expansion

On June 15, 2005, the Powell County Fiscal Court entered into a financing agreement with Whitaker Bank to borrow \$300,000 for improvements to the existing detention facility and the conversion of the existing senior citizens center to a holding facility for class D felons. The agreement requires monthly payments of \$2,064 for 240 months, to be paid in full on June 15, 2025. As of June 30, 2013, the principal balance outstanding was \$217,188. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 13,147	\$ 11,617
2015	13,888	10,876
2016	14,672	10,092
2017	15,499	9,265
2018	16,374	8,390
2019-2023	96,809	27,011
2024-2025	46,799	2,728
Totals	<u>\$ 217,188</u>	<u>\$ 79,979</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

E. Detention Facility Improvements And Expansion

On October 2, 2006, the Powell County Fiscal Court entered into a financing agreement with People's Exchange Bank to borrow \$475,000 for the purpose of financing the improvements to the detention facility. The agreement requires monthly principal and interest payments beginning November 1, 2006, at a rate of 5%, with the full amount to be paid in full on October 1, 2016. As of June 30, 2013, the principal balance outstanding was \$343,517. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 19,347	\$ 19,861
2015	20,438	18,772
2016	21,590	17,620
2017	282,142	5,606
Totals	<u>\$ 343,517</u>	<u>\$ 61,859</u>

F. Ambulance Lease

On June 1, 2013 the Powell County Fiscal Court entered into a capital lease with People's Exchange Bank for the acquisition of an ambulance. The agreement requires monthly interest and principal payments beginning July 1, 2013, with a final scheduled payment date of June 1, 2017. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 18,313	\$ 1,923
2015	18,851	1,386
2016	19,400	837
2017	18,284	266
Totals	<u>\$ 74,848</u>	<u>\$ 4,412</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

G. Improvements and General Operating

On June 29, 2007, Powell County Fiscal Court entered into a \$500,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the purpose of refinancing a short-term note and for the purpose of acquiring and financing certain improvements. The agreement required variable monthly interest payments and yearly principal payments and was paid in full in January 2013.

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Financing Obligations	<u>\$ 1,449,800</u>	<u>\$ 76,215</u>	<u>\$ 206,494</u>	<u>\$ 1,319,521</u>	<u>\$ 113,562</u>
Total Long-term Debt	<u>\$ 1,449,800</u>	<u>\$ 76,215</u>	<u>\$ 206,494</u>	<u>\$ 1,319,521</u>	<u>\$ 113,562</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, 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.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

The County's contribution for FY 2011 was \$333,731, FY 2012 was \$450,384, and FY 2013 was \$450,256.

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Employee Retirement System (Continued)

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

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

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

Note 6. Deferred Compensation

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

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Deferred Compensation (Continued)

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 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 7. Insurance

For the fiscal year ended June 30, 2013, Powell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Related Party Transactions

The fiscal court expended \$55,828 for construction expenses for the Nada Housing Project and the construction of the road department office building from Snowden Construction. Snowden Construction is owned by the son of Eck Snowden, a magistrate of Powell County Fiscal Court. Also, Eck Snowden owns Powell County Feed and Farm and the county purchased \$86 in materials.

Note 9. Fund Balance - Deficit

As of June 30, 2013, the Jail Fund had a deficit fund balance in the amount of \$329,280. This deficit was due to transfers from restricted funds (see note 9 above), and the resulting interfund payable.

	<u>Jail Fund</u>
Cash Balance	\$ 123,748
Interfund Payables	<u>(453,028)</u>
Fund Balance	<u>\$ (329,280)</u>

Note 10. Payroll Revolving Account

The reconciled balance in the amount of \$90,144, of the Payroll Revolving Account as of June 30, 2013, was added to the General Fund cash balance for financing reporting purposes.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 11. Change in Basis of Accounting

Powell County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The accounting change had no effect on the beginning cash balances of the various county funds as presented. The following is a summary of the prior year reported fund balances, as reported as this year's beginning cash balances and cash equivalents:

General Fund Balance 6/30/2012	\$ 121,034
Interfund payables	65,988
Ambulance Fund Cash	(103,598)
Dispatch Fund Cash	<u>(20,000)</u>
General Fund Cash - Beginning	<u>\$ 63,424</u>
Road Fund Balance 6/30/2012	\$ 654,613
Interfund Receivables	<u>(366,528)</u>
Road Fund Cash - Beginning	<u>\$ 288,085</u>
Jail Fund Balance 6/30/2012	\$ (402,161)
Interfund Payables	<u>453,028</u>
Jail Fund Cash - Beginning	<u>\$ 50,867</u>
Non-Major Fund Balance 6/30/2012	\$ 88,890
Forest Fire Fund Cash - Beginning	(729)
Grants Fund Cash - Beginning	(88,034)
Nada Fund Cash - Beginning	<u>(127)</u>
Non-Major Fund Cash	<u>\$ -</u>

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**POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis**

For The Year Ended June 30, 2013

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,717,500	\$ 1,842,500	\$ 1,875,969	\$ 33,469
In Lieu Tax Payments	10,000	10,000	32,983	22,983
Excess Fees	15,000	15,000	4,811	(10,189)
Licenses and Permits	100	100		(100)
Intergovernmental Revenue	141,800	171,124	169,786	(1,338)
Charges for Services	67,100	167,346	194,660	27,314
Miscellaneous	52,800	52,800	56,190	3,390
Interest	2,000	2,000	356	(1,644)
Total Receipts	<u>2,006,300</u>	<u>2,260,870</u>	<u>2,334,755</u>	<u>73,885</u>
DISBURSEMENTS				
General Government	625,871	686,071	637,589	48,482
Protection to Persons and Property	622,135	623,805	174,064	449,741
General Health and Sanitation	285,300	394,286	300,572	93,714
Social Services	21,000	21,000	20,000	1,000
Debt Service	120,000	120,000	117,619	2,381
Capital Projects	3,000,100	3,085,600	583,019	2,502,581
Administration	548,619	477,715	429,976	47,739
Total Disbursements	<u>5,223,025</u>	<u>5,408,477</u>	<u>2,262,839</u>	<u>3,145,638</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,216,725)</u>	<u>(3,147,607)</u>	71,916	3,219,523
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,803,035	3,803,035	663,296	(3,139,739)
Transfers To Other Funds	(593,862)	(718,862)	(595,000)	123,862
Total Other Adjustments to Cash (Uses)	<u>3,209,173</u>	<u>3,084,173</u>	<u>68,296</u>	<u>(3,015,877)</u>
Net Change in Cash Balances and Cash Equivalents	(7,552)	(63,434)	140,212	203,646
Cash Balances and Cash Equivalents - Beginning	7,552	63,434	63,424	(10)
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 203,636</u>	<u>\$ 203,636</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 45,000	\$ 45,000	\$ 41,129	\$ (3,871)
Intergovernmental Revenue	1,236,475	1,236,475	1,230,673	(5,802)
Miscellaneous	8,000	8,000	13,128	5,128
Interest	2,500	2,500	841	(1,659)
Total Receipts	<u>1,291,975</u>	<u>1,291,975</u>	<u>1,285,771</u>	<u>(6,204)</u>
DISBURSEMENTS				
Roads	889,100	1,037,301	309,511	727,790
Transportation Facilities and Services	9,000	20,550	20,522	28
Capital Purchases	35,000	35,000	625,152	(590,152)
Administration	326,789	401,690	175,039	226,651
Total Disbursements	<u>1,259,889</u>	<u>1,494,541</u>	<u>1,130,224</u>	<u>364,317</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>32,086</u>	<u>(202,566)</u>	<u>155,547</u>	<u>358,113</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	20,000	20,000		(20,000)
Transfers To Other Funds	(187,000)	(187,000)	(187,000)	
Total Other Adjustments to Cash (Uses)	<u>(167,000)</u>	<u>(167,000)</u>	<u>(187,000)</u>	<u>(20,000)</u>
Net Change in Cash Balances and Cash Equivalents	(134,914)	(369,566)	(31,453)	338,113
Cash Balances and Cash Equivalents - Beginning	134,914	288,085	288,085	
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$ (81,481)</u>	<u>\$ 256,632</u>	<u>\$ 338,113</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental Revenue	\$ 1,073,600	\$ 1,084,105	\$ 1,042,714	\$ (41,391)
Charges for Services	62,600	62,600	53,876	(8,724)
Miscellaneous	81,000	81,000	75,538	(5,462)
Interest	300	300	108	(192)
Total Receipts	<u>1,217,500</u>	<u>1,228,005</u>	<u>1,172,236</u>	<u>(55,769)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,144,370	1,214,904	1,156,271	58,633
General Health and Sanitation	55,500	59,620	52,573	7,047
Debt Service	168,703	168,703	160,947	7,756
Capital Purchases	100	100	100	100
Administration	304,350	384,584	274,564	110,020
Total Disbursements	<u>1,673,023</u>	<u>1,827,911</u>	<u>1,644,355</u>	<u>183,556</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(455,523)</u>	<u>(599,906)</u>	<u>(472,119)</u>	<u>127,787</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	423,618	548,618	545,000	(3,618)
Total Other Adjustments to Cash (Uses)	<u>423,618</u>	<u>548,618</u>	<u>545,000</u>	<u>(3,618)</u>
Net Change in Cash Balances and Cash Equivalents	(31,905)	(51,288)	72,881	124,169
Cash Balances and Cash Equivalents - Beginning	31,905	51,137	50,867	(270)
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$ (151)</u>	<u>\$ 123,748</u>	<u>\$ 123,899</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
RECEIPTS				
Taxes	\$ 280,100	\$ 280,100	\$ 342,673	\$ 62,573
Miscellaneous	5,000	5,000		(5,000)
Interest	2,000	2,000	775	(1,225)
Total Receipts	287,100	287,100	343,448	56,348
DISBURSEMENTS				
General Government	15,906	19,406	16,135	3,271
Protection to Persons and Property	36,000	36,000	36,000	
General Health and Sanitation	2,000	2,000	2,000	
Recreation and Culture	9,000	9,000	9,000	
Roads	186,500	104,869	42,310	62,559
Airports	6,000	6,000	6,000	
Administration	95,444	436,546	4,158	432,388
Total Disbursements	350,850	613,821	115,603	498,218
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(63,750)	(326,721)	227,845	554,566
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000		(10,000)
Transfers To Other Funds	(5,000)	(5,000)	(5,000)	
Total Other Adjustments to Cash (Uses)	5,000	5,000	(5,000)	(10,000)
Net Change in Cash Balances and Cash Equivalents	(58,750)	(321,721)	222,845	544,566
Cash Balances and Cash Equivalents - Beginning	58,750	403,351	403,351	
Cash Balances and Cash Equivalents - Ending	\$ 81,630	\$ 81,630	\$ 626,196	\$ 544,566

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,231	\$ 81
Total Receipts	<u>1,150</u>	<u>1,150</u>	<u>1,231</u>	<u>81</u>
DISBURSEMENTS				
Protection to Persons and Property	1,550	1,880		1,880
Total Disbursements	<u>1,550</u>	<u>1,880</u>		<u>1,880</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400)</u>	<u>(730)</u>	<u>1,231</u>	<u>1,961</u>
Net Change in Cash Balances and Cash Equivalents	(400)	(730)	1,231	1,961
Cash Balances and Cash Equivalents - Beginning	400	730	729	(1)
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 1,960</u>	<u>\$ 1,960</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 3,639,835	\$ 3,639,835	\$ 503,476	\$ (3,136,359)
Interest	300	300	54	(246)
Total Receipts	<u>3,640,135</u>	<u>3,640,135</u>	<u>503,530</u>	<u>(3,136,605)</u>
DISBURSEMENTS				
Protection to Persons and Property	128,782	128,782	62,477	66,305
Total Disbursements	<u>128,782</u>	<u>128,782</u>	<u>62,477</u>	<u>66,305</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,511,353</u>	<u>3,511,353</u>	<u>441,053</u>	<u>(3,070,300)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			50,000	50,000
Transfers To Other Funds			(471,296)	(471,296)
Total Other Adjustments to Cash (Uses)			<u>(421,296)</u>	<u>(421,296)</u>
Net Change in Cash Balances and Cash Equivalents	3,511,353	3,511,353	19,757	(3,491,596)
Cash Balances and Cash Equivalents - Beginning	59,040	59,040	88,034	28,994
Cash Balances and Cash Equivalents - Ending	<u>\$ 3,570,393</u>	<u>\$ 3,570,393</u>	<u>\$ 107,791</u>	<u>\$ (3,462,602)</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

NADA HOUSING FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental Revenue	\$	\$ 62,870	\$ 40,506	\$ (22,364)
Total Receipts		<u>62,870</u>	<u>40,506</u>	<u>(22,364)</u>
DISBURSEMENTS				
Social Services		126	40,506	22,364
Total Disbursements		<u>126</u>	<u>40,506</u>	<u>22,364</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(126)</u>		
Net Change in Cash Balances and Cash Equivalents		(126)		
Cash Balances and Cash Equivalents - Beginning		126	127	127
Cash Balances and Cash Equivalents - Ending	\$	<u>\$</u>	<u>\$ 127</u>	<u>\$ 127</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 11,000	\$ 11,000	\$ 10,169	\$ (831)
Charges for Services	876,000	876,000	848,933	(27,067)
Miscellaneous	2,000	2,000	4,922	2,922
Interest	500	500	126	(374)
Total Receipts	<u>889,500</u>	<u>889,500</u>	<u>864,150</u>	<u>(25,350)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,004,652	1,107,750	932,567	175,183
Capital Projects	20,000	20,000		20,000
Total Disbursements	<u>1,024,652</u>	<u>1,127,750</u>	<u>932,567</u>	<u>195,183</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(135,152)</u>	<u>(238,250)</u>	<u>(68,417)</u>	<u>169,833</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	104,652	104,652		(104,652)
Total Other Adjustments to Cash (Uses)	<u>104,652</u>	<u>104,652</u>		<u>(104,652)</u>
Net Change in Cash Balances and Cash Equivalents	(30,500)	(133,598)	(68,417)	65,181
Cash Balances and Cash Equivalents - Beginning	30,500	133,598	103,598	(30,000)
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 35,181</u>	<u>\$ 35,181</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information – Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

DISPATCH FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 270,000	\$ 270,000	\$ 242,919	\$ (27,081)
Interest			37	37
Total Receipts	<u>270,000</u>	<u>270,000</u>	<u>242,956</u>	<u>(27,044)</u>
DISBURSEMENTS				
Protection to Persons and Property	270,000	290,000	246,097	43,903
Total Disbursements	<u>270,000</u>	<u>290,000</u>	<u>246,097</u>	<u>43,903</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(20,000)</u>	<u>(3,141)</u>	<u>16,859</u>
Net Change in Cash Balances and Cash Equivalents		(20,000)	(3,141)	16,859
Cash Balances and Cash Equivalents - Beginning		20,000	20,000	
Cash Balances and Cash Equivalents - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 16,859</u>	<u>\$ 16,859</u>

POWELL COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Expenditures Exceeding Budgeted Appropriations

Capital Purchases disbursements in the Road Fund exceeded budgeted appropriations by \$590,152.

Note 3. Reconciliation Of The Budgetary Comparison Schedule To The Statement Of Receipts, Disbursements, And Changes In Cash Balances And Cash Equivalents

General Fund

Total Other Adjustments to Cash (Uses) - Budgetary Schedule	\$ 68,296
Ending Balance - Payroll Revolving Account	<u>90,144</u>
Total Other Adjustments to Cash (Uses) - Statement of Receipts, Disbursements, and Changes In Cash Balances and Cash Equivalents	<u>\$ 158,440</u>
Total Ending Cash Balances and Cash Equivalents - Budgetary Schedule	\$ 203,636
Ending Balance - Payroll Revolving Account	<u>90,144</u>
Total Ending Cash Balances and Cash Equivalents - Statement of Receipts, Disbursements, and Changes In Cash Balances and Cash Equivalents	<u>\$ 293,780</u>

**POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
OTHER INFORMATION – REGULATORY BASIS**

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 855,434	\$	\$	\$ 855,434
Construction In Progress	71,478	449,117		520,595
Buildings	4,156,049			4,156,049
Vehicles and Equipment	2,165,839	280,376	80,000	2,366,215
Infrastructure	1,957,549	569,203		2,526,752
Total Capital Assets	<u>\$ 9,206,349</u>	<u>\$ 1,298,696</u>	<u>\$ 80,000</u>	<u>\$ 10,425,045</u>

Construction in progress consisted of the following as of June 30, 2013:

Animal Shelter Building	\$ 157,058
EOC Building	<u>363,537</u>
Total	<u>\$ 520,595</u>

POWELL COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 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, 2013

POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2013

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
 Cash Programs:		
 <u>U.S. Department of Housing and Urban Development</u>		
Passed Through Department for Local Government:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA 14.228)	13000036521	\$ 40,506
Total U.S. Department Of Homeland Security		40,506
 <u>U.S. Department of Homeland Security</u>		
Passed Through Division of Emergency Management:		
Chemical Stockpile Emergency Preparedness Program (CFDA 97.040)	13-KY-POW	598,149 *
Passed Through Division of Emergency Management:		
Emergency Management Performance Grants (CFDA 97.042)	1300000671	62,477
Total U.S. Department Of Homeland Security		660,626
Total Cash Expenditures of Federal Awards		\$ 701,132

* Denotes Major Program

See accompanying notes.

POWELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Powell County, Kentucky and is presented on a regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2013.

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



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

The Honorable James Anderson, 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 Cash Balances and Cash Equivalents - Regulatory Basis of the Powell County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated February 17, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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.

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

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2013-01.

County Judge's Responses to Findings

The Powell County Judge's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. The County Judge'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.

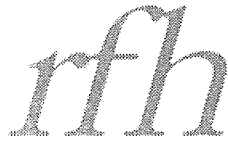
Purpose of this Report

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.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 17, 2014

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

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

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Powell County, Kentucky's with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Powell County, Kentucky'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

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the entity's management.

Auditor's Responsibility

Our responsibility is to express an opinion on Powell County, Kentucky's compliance with the applicable compliance requirements based on our compliance audit.

We conducted our compliance 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular A-133 require that we plan and perform the compliance 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. A compliance audit includes examining, on a test basis, evidence about Powell County, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion. Our compliance audit does not provide a legal determination on Powell County, Kentucky's compliance with those requirements.

Opinion

In our opinion, Powell County, Kentucky complied, in all material respects, with the 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, 2013.

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Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control over Compliance

The management of Powell County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered Powell County, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Powell County, Kentucky'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.

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 deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2013-02 to be a material weakness.

Restricted Use

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 17, 2014

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

For The Year Ended June 30, 2013

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

Fiscal Year Ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents – Regulatory Basis of Powell County, Kentucky.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statement of Powell County was disclosed during the audit.
4. One material weakness relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Powell County expresses an unmodified opinion.
6. There is one finding relative to the major federal awards programs for Powell County reported in Part C of this schedule.
7. The program tested as a major program was: Chemical Stockpile Emergency Preparedness Program (CFDA 97.040).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Powell County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS:

2013-01 The Jail Fund Has A Deficit Totaling \$329,280

As of June 30, 2013, the Jail Fund had a deficit fund balance in the amount of \$329,280. This deficit was due to transfers from restricted funds, and the resulting interfund payable.

	<u>Jail Fund</u>
Cash Balance	\$ 123,748
Interfund Payables	(453,028)
Fund Balance	<u>\$ (329,280)</u>

County Judge/Executive James Anderson's Response: This was debt incurred not by either the current Jailer or the County Judge/Executive. The Jail Fund's cash position actually increased during the year by \$72,881 from last year. We will work towards paying this down.

**POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2013
(Continued)**

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

INTERNAL CONTROL OVER COMPLIANCE – MATERIAL WEAKNESS

2013-02 Schedule Of Expenditures Of Federal Awards Not Provided To The Auditors Until End Of
Fieldwork

Management is responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133. This schedule of expenditures of federal awards was not prepared and provided to the auditors until the end of the auditors' fieldwork. We recommend the county prepare a timely SEFA each fiscal year in order to identify federal expenditures and provide it to its auditors at the beginning of fieldwork.

County Judge/Executive James Anderson's Response: We will do at the beginning.

D. PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

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

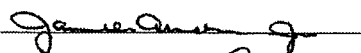
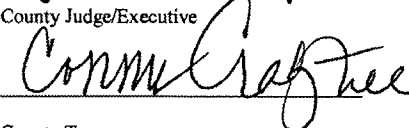
POWELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2013**

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

For The Fiscal Year Ended June 30, 2013

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.


County Judge/Executive

County Treasurer

