

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

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



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



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, 2015.

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 Powell County, Kentucky's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT OF THE
POWELL COUNTY FISCAL COURT

June 30, 2015

Teddy Michael Prater CPA, PLLC has completed the audit of the Powell County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Powell County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Powell County's major federal program: CFDA #97.040 - Chemical Stockpile Emergency Preparedness Program.

Financial Condition:

The Powell County Fiscal Court had total receipts of \$6,943,342 and disbursements of \$7,404,570 in fiscal year 2015. This resulted in a total ending fund balance of \$667,276, which is a decrease of \$461,228 from the prior year.

Report Comments:

- 2015-001 The Jail And Ambulance Funds Have Deficits Totaling \$444,929
- 2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Record- Keeping Functions
- 2015-003 Internal Controls Over Transfer Station Receipts Should Be Improved
- 2015-004 The Fiscal Court Should Review All Invoices Prior To Payment
- 2015-005 The Fiscal Court Lacks Adequate Segregation of Duties Over the Payroll Function
- 2015-006 The Fiscal Court Did Not File Accurate And Timely 941 Forms
- 2015-007 Employees Should Not Receive Lump Sum Salary Payments
- 2015-008 Part-time Employees Should Not Receive Full-time Benefits
- 2015-009 The Fiscal Court Should Pay Overtime Properly
- 2015-010 Payroll Computations Were Not Correct For Four Employees
- 2015-011 Leave Balances Are Not Maintained Properly
- 2015-012 The Fiscal Court Should Ensure All Eligible Employees Participate In Retirement
- 2015-013 Insurance Premiums Were Paid For Former Employees And Officials
- 2015-014 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules
- 2015-015 The Detention Center Lacks Adequate Segregation Of Duties
- 2015-016 The Fiscal Court Should Improve Cash Management Practices Relating To The Single Audit Compliance Requirements For CSEPP

Deposits:

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

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TEDDY MICHAEL PRATER CPA, PLLC
HC 62 Box 291
Salyersville, KY 41465
Telephone (606) 349-8042

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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 Powell County Fiscal Court, for the year ended June 30, 2015, 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.

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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by 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 Powell County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Powell County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis-of-Matter

Deficit Fund Balances

As discussed in Note 9 to the financial statement, Powell County Fiscal Court has actual deficit fund balances in its Jail and Ambulance funds totaling \$444,929. The Jail Fund deficit balance is the cumulative result of interfund payables created when restricted funds were transferred and used for general disbursements of the county. The Ambulance Fund deficit balance is due to outstanding liabilities/encumbrances at June 30, 2015. 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 Powell County Fiscal Court. The budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

To the People of Kentucky
 Honorable Matthew G. Bevin, Governor
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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 May 4, 2016 on our consideration of 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 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 discuss the following report comments:

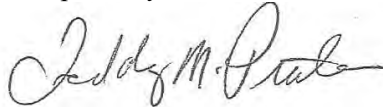
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- 2015-013 Insurance Premiums Were Paid For Former Employees And Officials
- 2015-014 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules

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Other Reporting Required by *Government Auditing Standards* (Continued)

- 2015-015 The Detention Center Lacks Adequate Segregation Of Duties
- 2015-016 The Fiscal Court Should Improve Cash Management Practices Relating To The Single Audit Compliance Requirements For CSEPP

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

May 4, 2016

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2015

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 Crabree	Jailer
Rhonda A. Barnett	County Clerk
Patricia Darlene Drake	Circuit Court Clerk
Danny Rogers	Sheriff
Dustin Billings	Property Valuation Administrator
Hondo Herne	Coroner

Appointed Personnel:

Connie Crabtree	County Treasurer
Kacey Davidson	Finance Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,839,504	\$	\$
In Lieu Tax Payments		29,926	
Excess Fees	7,966		
Intergovernmental	153,981	1,018,926	1,172,421
Charges for Services	76,238		26,711
Miscellaneous	92,108	1,689	53,326
Interest	453	927	66
Total Receipts	<u>2,170,250</u>	<u>1,051,468</u>	<u>1,252,524</u>
DISBURSEMENTS			
General Government	685,083		
Protection to Persons and Property	1,209,272		1,288,022
General Health and Sanitation	259,083		75,393
Social Services	20,000		
Recreation and Culture			
Other Transportation Facilities and Services		2,020	
Roads		1,049,258	
Airports			
Debt Service			160,869
Administration	490,545	156,717	341,307
Total Disbursements	<u>2,663,983</u>	<u>1,207,995</u>	<u>1,865,591</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(493,733)</u>	<u>(156,527)</u>	<u>(613,067)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,471,372	20,000	621,000
Transfers To Other Funds	(984,528)	(197,273)	
Total Other Adjustments to Cash (Uses)	<u>486,844</u>	<u>(177,273)</u>	<u>621,000</u>
Net Change in Fund Balance	(6,889)	(333,800)	7,933
Fund Balance - Beginning (Restated)	137,184	347,662	12,356
Fund Balance - Ending	<u>\$ 130,295</u>	<u>\$ 13,862</u>	<u>\$ 20,289</u>
Composition of Fund Balance			
Bank Balance	\$ 169,325	\$ 335,889	\$ 50,862
Plus: Deposits In Transit	23,283	20,000	2,669
Less: Outstanding Checks	(62,313)	(342,027)	(33,242)
Fund Balance - Ending	<u>\$ 130,295</u>	<u>\$ 13,862</u>	<u>\$ 20,289</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, 2015
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Forest Fire Fund	Grants Fund	NADA Housing Fund	Ambulance Fund
\$	\$ 1,156	\$	\$ 7,072	\$
221,466		1,078,152		729,178
564		59		2,372
<u>222,030</u>	<u>1,156</u>	<u>1,078,211</u>	<u>7,072</u>	<u>731,585</u>
16,177				
37,500	1,524	54,393		746,125
7,000			7,072	
5,000				
71,485				
6,000				20,236
7,282		14,403		250,766
<u>150,444</u>	<u>1,524</u>	<u>68,796</u>	<u>7,072</u>	<u>1,017,127</u>
71,586	(368)	1,009,415		(285,542)
	28	45,000		290,000
		(1,274,099)		
	<u>28</u>	<u>(1,229,099)</u>		<u>290,000</u>
71,586	(340)	(219,684)		4,458
316,478	1,692	296,425	127	265
<u>\$ 388,064</u>	<u>\$ 1,352</u>	<u>\$ 76,741</u>	<u>\$ 127</u>	<u>\$ 4,723</u>
\$ 434,672	\$ 1,352	\$ 76,973	\$ 127	\$ 9,380
(46,608)		(232)		(4,657)
<u>\$ 388,064</u>	<u>\$ 1,352</u>	<u>\$ 76,741</u>	<u>\$ 127</u>	<u>\$ 4,723</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, 2015
(Continued)

	<u>Budgeted Funds</u>	<u>Unbudgeted Fund</u>	
	<u>Dispatch Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$ 157,848	\$	\$ 1,998,508
In Lieu Tax Payments			36,998
Excess Fees			7,966
Intergovernmental			3,644,946
Charges for Services	101,998		934,125
Miscellaneous		169,177	318,672
Interest	23		2,127
Total Receipts	<u>259,869</u>	<u>169,177</u>	<u>6,943,342</u>
DISBURSEMENTS			
General Government			701,260
Protection to Persons and Property	248,143		3,584,979
General Health and Sanitation			334,476
Social Services			34,072
Recreation and Culture		107,728	112,728
Other Transportation Facilities and Services			2,020
Roads			1,120,743
Airports			6,000
Debt Service			181,105
Administration	66,167		1,327,187
Total Disbursements	<u>314,310</u>	<u>107,728</u>	<u>7,404,570</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(54,441)</u>	<u>61,449</u>	<u>(461,228)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	62,000		2,509,400
Transfers To Other Funds		(53,500)	(2,509,400)
Total Other Adjustments to Cash (Uses)	<u>62,000</u>	<u>(53,500)</u>	
Net Change in Fund Balance	7,559	7,949	(461,228)
Fund Balance - Beginning (Restated)	14,201	2,114	1,128,504
Fund Balance - Ending	<u>\$ 21,760</u>	<u>\$ 10,063</u>	<u>\$ 667,276</u>
Composition of Fund Balance			
Bank Balance	\$ 21,925	\$ 10,893	\$ 1,111,398
Deposits In Transit	4		45,956
Less Outstanding Checks	(169)	(830)	(490,078)
Ending Fund Balance	<u>\$ 21,760</u>	<u>\$ 10,063</u>	<u>\$ 667,276</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, 2015

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 Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary 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.

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

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

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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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 statement of 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 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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Grants Fund	Jail Commissary Fund	Total Transfers In
General Fund	\$	\$ 197,273	\$ 1,274,099	\$	\$ 1,471,372
Road Fund	20,000				20,000
Jail Fund	567,500			53,500	621,000
Forest Fire Fund	28				28
Grants Fund	45,000				45,000
Ambulance Fund	290,000				290,000
Dispatch Fund	62,000				62,000
Total Transfers Out	<u>\$ 984,528</u>	<u>\$ 197,273</u>	<u>\$ 1,274,099</u>	<u>\$ 53,500</u>	<u>\$ 2,509,400</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, 2015
(Continued)

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$15,578.

Note 5. Long-term Debt

A. 2003 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, 2015, the principal balance outstanding was \$255,121. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 26,124	\$ 12,528
2017	27,502	11,150
2018	28,952	9,700
2019	30,478	8,173
2020	32,086	6,566
2021-2024	109,979	9,199
Totals	<u>\$ 255,121</u>	<u>\$ 57,316</u>

B. 2005A 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, 2015, the principal balance outstanding was \$299,753. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 24,839	\$ 14,856
2017	26,149	13,547
2018	27,528	12,168
2019	28,979	10,716
2020	30,507	9,188
2021-2025	161,751	20,186
Totals	<u>\$ 299,753</u>	<u>\$ 80,661</u>

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

Note 5. Long-term Debt (Continued)

C. 2005B 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, 2015, the principal balance outstanding was \$190,153. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 14,672	\$ 10,092
2017	15,499	9,265
2018	16,374	8,390
2019	17,297	7,467
2020	18,273	6,491
2021-2025	<u>108,038</u>	<u>15,781</u>
Totals	<u>\$ 190,153</u>	<u>\$ 57,486</u>

D. 2006 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 variable rate, with the balance to be paid in full on October 1, 2016. As of June 30, 2015, the principal balance outstanding was \$261,326. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 21,590	\$ 17,620
2017	<u>239,736</u>	<u>5,606</u>
Totals	<u>\$ 261,326</u>	<u>\$ 23,226</u>

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

Note 5. Long-term Debt (Continued)

E. 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 principal and interest payments beginning July 1, 2013, with a final scheduled payment date of June 1, 2017. As of June 30, 2015, the principal balance outstanding was \$39,159. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 19,354	\$ 837
2017	19,805	266
Totals	<u>\$ 39,159</u>	<u>\$ 1,103</u>

F. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 1,164,983	\$	\$ 119,471	\$ 1,045,512	\$ 106,579
Total Long-term Debt	<u>\$ 1,164,983</u>	<u>\$ 0</u>	<u>\$ 119,471</u>	<u>\$ 1,045,512</u>	<u>\$ 106,579</u>

Note 6. Employee Retirement System

A. Plan Description

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

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

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

The county's contribution for FY 2013 was \$450,256, FY 2014 was \$443,649, and FY 2015 was \$438,048.

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.

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

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

The Kentucky Retirement Systems 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.

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

Note 6. Employee Retirement System (Continued)

B. Net Pension Liability

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

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$	\$
Non-Hazardous	<u>3,824,000</u>	<u>3,379,000</u>
Totals	<u>\$ 3,824,000</u>	<u>\$ 3,379,000</u>

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

Note 7. Deferred Compensation

The 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.

These deferred compensation plans permits 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 Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2015, 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.

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

Note 9. Fund Balance - Deficits

As of June 30, 2015, the Jail and Ambulance Fund had a deficit fund balance in the amount of \$444,929. This deficit is due to transfers from restricted funds and the resulting interfund payables and outstanding liabilities/encumbrances for fiscal year ended June 30, 2015.

	<u>Jail</u>	<u>Ambulance</u>	<u>Total</u>
Cash Balance	\$ 20,289	\$ 4,723	\$ 25,012
Interfund Payables	(453,028)		(453,028)
Encumbrances	(7,946)	(8,967)	(16,913)
Fund Balance	<u>\$ (440,685)</u>	<u>\$ (4,244)</u>	<u>\$ (444,929)</u>

Note 10. Prior Period Adjustments

The beginning balance of the Jail Fund was increased by \$3,267 to account for prior year voided checks, resulting in a beginning balance of \$12,356.

The beginning principal balance for the 2006 Detention Facility Improvements and Expansion debt was reduced by \$13,173 to account for more of the monthly payment applied to principal, and less to interest, due to a lower variable interest rate than scheduled.

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POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,754,900	\$ 1,754,900	\$ 1,839,504	\$ 84,604
In Lieu Tax Payments	15,500	15,500		(15,500)
Excess Fees	4,000	4,000	7,966	3,966
Licenses and Permits	100	100		(100)
Intergovernmental	141,900	141,900	153,981	12,081
Charges for Services	91,100	91,100	76,238	(14,862)
Miscellaneous	48,300	48,300	92,108	43,808
Interest	500	500	453	(47)
Total Receipts	<u>2,056,300</u>	<u>2,056,300</u>	<u>2,170,250</u>	<u>113,950</u>
DISBURSEMENTS				
General Government	647,980	705,177	685,083	20,094
Protection to Persons and Property	1,440,700	1,773,277	1,209,272	564,005
General Health and Sanitation	230,740	280,359	259,083	21,276
Social Services	20,500	20,500	20,000	500
Administration	805,171	535,139	490,545	44,594
Total Disbursements	<u>3,145,091</u>	<u>3,314,452</u>	<u>2,663,983</u>	<u>650,469</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,088,791)</u>	<u>(1,258,152)</u>	<u>(493,733)</u>	<u>764,419</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,636,000	1,847,000	1,471,372	(375,628)
Transfers To Other Funds	(597,209)	(683,502)	(984,528)	(301,026)
Total Other Adjustments to Cash (Uses)	<u>1,038,791</u>	<u>1,163,498</u>	<u>486,844</u>	<u>(676,654)</u>
Net Change in Fund Balance	(50,000)	(94,654)	(6,889)	87,765
Fund Balance Beginning	50,000	136,293	137,184	891
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 41,639</u>	<u>\$ 130,295</u>	<u>\$ 88,656</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 40,000	\$ 40,000	\$ 29,926	\$ (10,074)
Intergovernmental	1,319,100	1,349,601	1,018,926	(330,675)
Miscellaneous	7,000	7,000	1,689	(5,311)
Interest	1,000	1,000	927	(73)
Total Receipts	<u>1,367,100</u>	<u>1,397,601</u>	<u>1,051,468</u>	<u>(346,133)</u>
DISBURSEMENTS				
Other Transportation Facilities and Services	30,000	8,047	2,020	6,027
Roads	1,232,264	1,274,705	1,049,258	225,447
Administration	177,600	172,480	156,717	15,763
Total Disbursements	<u>1,439,864</u>	<u>1,455,232</u>	<u>1,207,995</u>	<u>247,237</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(72,764)</u>	<u>(57,631)</u>	<u>(156,527)</u>	<u>(98,896)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	20,000	20,000	20,000	
Transfers To Other Funds	(204,000)	(204,000)	(197,273)	6,727
Total Other Adjustments to Cash (Uses)	<u>(184,000)</u>	<u>(184,000)</u>	<u>(177,273)</u>	<u>6,727</u>
Net Change in Fund Balance	(256,764)	(241,631)	(333,800)	(92,169)
Fund Balance Beginning	<u>256,764</u>	<u>256,764</u>	<u>347,662</u>	<u>90,898</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 15,133</u>	<u>\$ 13,862</u>	<u>\$ (1,271)</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,251,600	\$ 1,251,600	\$ 1,172,421	\$ (79,179)
Charges for Services	56,100	56,100	26,711	(29,389)
Miscellaneous	66,833	66,833	53,326	(13,507)
Interest	300	300	66	(234)
Total Receipts	<u>1,374,833</u>	<u>1,374,833</u>	<u>1,252,524</u>	<u>(122,309)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,190,230	1,292,899	1,288,022	4,877
General Health and Sanitation	79,495	78,161	75,393	2,768
Debt Service	163,113	161,042	160,869	173
Administration	307,299	345,967	341,307	4,660
Total Disbursements	<u>1,740,137</u>	<u>1,878,069</u>	<u>1,865,591</u>	<u>12,478</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(365,304)</u>	<u>(503,236)</u>	<u>(613,067)</u>	<u>(109,831)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	313,855	375,148	621,000	245,852
Total Other Adjustments to Cash (Uses)	<u>313,855</u>	<u>375,148</u>	<u>621,000</u>	<u>245,852</u>
Net Change in Fund Balance	(51,449)	(128,088)	7,933	136,021
Fund Balance Beginning (Restated)	<u>51,449</u>	<u>51,449</u>	<u>12,356</u>	<u>(39,093)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (76,639)</u>	<u>\$ 20,289</u>	<u>\$ 96,928</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 261,100	\$ 261,100	\$ 221,466	\$ (39,634)
Miscellaneous	1,000	1,000		(1,000)
Interest	1,000	1,000	564	(436)
Total Receipts	<u>263,100</u>	<u>263,100</u>	<u>222,030</u>	<u>(41,070)</u>
DISBURSEMENTS				
General Government	18,407	18,407	16,177	2,230
Protection to Persons and Property	37,500	37,500	37,500	
Social Services	7,000	7,000	7,000	
Recreation and Culture	5,000	5,000	5,000	
Roads	448,000	381,054	71,485	309,569
Airports	6,000	6,000	6,000	
Administration	34,000	34,000	7,282	26,718
Total Disbursements	<u>555,907</u>	<u>488,961</u>	<u>150,444</u>	<u>338,517</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(292,807)</u>	<u>(225,861)</u>	<u>71,586</u>	<u>297,447</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	5,000	5,000		(5,000)
Transfers To Other Funds	<u>(5,000)</u>	<u>(5,000)</u>		<u>5,000</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(292,807)	(225,861)	71,586	297,447
Fund Balance Beginning	<u>292,807</u>	<u>292,807</u>	<u>316,478</u>	<u>23,671</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 66,946</u>	<u>\$ 388,064</u>	<u>\$ 321,118</u>

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

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,156	\$ 6
Total Receipts	<u>1,150</u>	<u>1,150</u>	<u>1,156</u>	<u>6</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>1,550</u>	<u>1,550</u>	<u>1,524</u>	<u>26</u>
Total Disbursements	<u>1,550</u>	<u>1,550</u>	<u>1,524</u>	<u>26</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(400)</u>	<u>(400)</u>	<u>(368)</u>	<u>32</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			<u>28</u>	<u>28</u>
Total Other Adjustments to Cash (Uses)			<u>28</u>	<u>28</u>
Net Change in Fund Balance	(400)	(400)	(340)	60
Fund Balance Beginning	<u>400</u>	<u>400</u>	<u>1,692</u>	<u>1,292</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,352</u>	<u>\$ 1,352</u>

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

	GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,447,000	\$ 1,447,000	\$ 1,078,152	\$ (368,848)
Interest	60	60	59	(1)
Total Receipts	<u>1,447,060</u>	<u>1,447,060</u>	<u>1,078,211</u>	<u>(368,849)</u>
DISBURSEMENTS				
General Government	15,000	15,000		15,000
Protection to Persons and Property	62,384	61,281	54,393	6,888
Recreation and Culture	39,188	39,188		39,188
Administration	13,300	14,403	14,403	
Total Disbursements	<u>129,872</u>	<u>129,872</u>	<u>68,796</u>	<u>61,076</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,317,188</u>	<u>1,317,188</u>	<u>1,009,415</u>	<u>(307,773)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	40,204	40,204	45,000	4,796
Transfers To Other Funds	<u>(1,432,000)</u>	<u>(1,643,708)</u>	<u>(1,274,099)</u>	<u>369,609</u>
Total Other Adjustments to Cash (Uses)	<u>(1,391,796)</u>	<u>(1,603,504)</u>	<u>(1,229,099)</u>	<u>374,405</u>
Net Change in Fund Balance	(74,608)	(286,316)	(219,684)	66,632
Fund Balance Beginning	<u>74,608</u>	<u>286,316</u>	<u>296,425</u>	<u>10,109</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,741</u>	<u>\$ 76,741</u>

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

NADA HOUSING FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$	\$	\$ 7,072	\$ 7,072
Total Receipts			7,072	7,072
DISBURSEMENTS				
Social Services	126	7,072	7,072	
Total Disbursements	126	7,072	7,072	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(126)	(7,072)		7,072
Net Change in Fund Balance	(126)	(7,072)		7,072
Fund Balance Beginning	126	126	127	1
Fund Balance - Ending	\$ 0	\$ (6,946)	\$ 127	\$ 7,073

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

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 5,500	\$ 5,500	\$	\$ (5,500)
Charges for Services	802,500	802,500	729,178	(73,322)
Miscellaneous	10,000	10,000	2,372	(7,628)
Interest	100	100	35	(65)
Total Receipts	<u>818,100</u>	<u>818,100</u>	<u>731,585</u>	<u>(86,515)</u>
DISBURSEMENTS				
Protection to Persons and Property	766,313	792,434	746,125	46,309
Debt Service	20,237	20,237	20,236	1
Administration	258,800	272,812	250,766	22,046
Total Disbursements	<u>1,045,350</u>	<u>1,085,483</u>	<u>1,017,127</u>	<u>68,356</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(227,250)</u>	<u>(267,383)</u>	<u>(285,542)</u>	<u>(18,159)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	202,250	227,250	290,000	62,750
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>202,250</u>	<u>227,250</u>	<u>290,000</u>	<u>62,750</u>
Net Change in Fund Balance	(25,000)	(40,133)	4,458	44,591
Fund Balance Beginning	<u>25,000</u>	<u>25,000</u>	<u>265</u>	<u>(24,735)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (15,133)</u>	<u>\$ 4,723</u>	<u>\$ 19,856</u>

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

	DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 160,000	\$ 160,000	\$ 157,848	\$ (2,152)
Charges for Services	105,000	105,000	101,998	(3,002)
Interest			23	23
Total Receipts	<u>265,000</u>	<u>265,000</u>	<u>259,869</u>	<u>(5,131)</u>
DISBURSEMENTS				
Protection to Persons and Property	226,100	252,090	248,143	3,947
Administration	69,800	68,810	66,167	2,643
Total Disbursements	<u>295,900</u>	<u>320,900</u>	<u>314,310</u>	<u>6,590</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,900)</u>	<u>(55,900)</u>	<u>(54,441)</u>	<u>1,459</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>20,900</u>	<u>20,900</u>	<u>62,000</u>	<u>41,100</u>
Total Other Adjustments to Cash (Uses)	<u>20,900</u>	<u>20,900</u>	<u>62,000</u>	<u>41,100</u>
Net Change in Fund Balance	(10,000)	(35,000)	7,559	42,559
Fund Balance Beginning	<u>10,000</u>	<u>10,000</u>	<u>14,201</u>	<u>4,201</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 21,760</u>	<u>\$ 46,760</u>

POWELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

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

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

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

POWELL COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 866,466	\$	\$	\$ 866,466
Construction In Progress	2,930,707	452,572		3,383,279
Buildings and Building Improvement	4,313,107			4,313,107
Vehicles and Equipment	2,569,664	779,125		3,348,789
Infrastructure	3,526,196	544,540		4,070,736
	<u>\$ 14,206,140</u>	<u>\$ 1,776,237</u>	<u>\$ 0</u>	<u>\$ 15,982,377</u>
Total Capital Assets				

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

June 30, 2015

Note 1. Capital Assets

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

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

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

POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

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 Kentucky Department for Local Government:		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA 14.228)	Not available	\$ 7,072
Total U.S. Department of Housing and Urban Development		7,072
<u>U.S. Department of Homeland Security</u>		
Passed Through Kentucky Department of Military Affairs:		
Chemical Stockpile Emergency Preparedness (CFDA 97.040)	PON2 095 150000 4446 1	1,167,888 *
Emergency Management Performance Grants (CFDA 97.042)	PON2 095 1500000654 1	12,687
Total U.S. Department Of Homeland Security		1,180,575
Total Cash Expenditures of Federal Awards		\$ 1,187,647

* Tested as Major Program

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

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

Note 2 - Determination of Major Program

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

- Chemical Stockpile Emergency Preparedness Program (CFDA #97.040)

Note 3 - Noncash Expenditures

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

**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***

TEDDY MICHAEL PRATER CPA, PLLC
HC 62 Box 291
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, 2015, 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 May 4, 2016.

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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, 2015-010, 2015-011, 2015-013, 2015-015, and 2015-016 to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-004, 2015-007, 2015-008, 2015-009, 2015-012, 2015-014, and 2015-016.

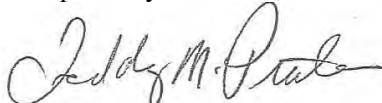
County Judge/Executive's and Jailer's Responses to Findings

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



Teddy Michael Prater CPA, PLLC

May 4, 2016

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

TEDDY MICHAEL PRATER CPA, PLLC
HC 62 Box 291
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 OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Powell County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Powell County Fiscal Court's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 with those requirements.

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

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control over Compliance

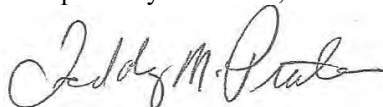
Management of the Powell County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Powell County Fiscal Court's internal 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-016, that we consider to be a material weakness.

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

May 4, 2016

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

For The Year Ended June 30, 2015

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

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	__X__ Yes	___ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	__X__ None Reported
Is any noncompliance material to financial statements noted?	__X__ Yes	___ No

Federal Awards

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

Internal control over major programs:

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

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

CFDA # 97.040 – Chemical Stockpile Emergency Preparedness Program

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

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

Section II: Findings - Financial Statement Audit

Financial Statement Findings

2015-001 The Jail And Ambulance Funds Have Deficits Totaling \$444,929

The county has deficit fund balances in the Jail and Ambulance Funds totaling \$444,929. These deficits are due to transfers due back from funds where restricted moneys were used inappropriately and disbursements the county encumbered over their available cash balances.

	<u>Jail</u>	<u>Ambulance</u>	<u>Total</u>
Cash Balance	\$ 20,289	\$ 4,723	\$ 25,012
Interfund Payables	(453,028)		(453,028)
Encumbrances	(7,946)	(8,967)	(16,913)
Fund Balance	<u>\$ (440,685)</u>	<u>\$ (4,244)</u>	<u>\$ (444,929)</u>

In past years the county transferred restricted money from the Road and the Local Government Economic Assistance (LGEA) funds to the General and Jail funds. The General Fund repaid the Road Fund a portion of the money in fiscal year 2015. A schedule of unpaid transfers is as follows:

<u>Due From</u>	<u>Due To</u>	<u>6/30/2014</u> <u>Balance</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>6/30/2015</u> <u>Balance</u>
Jail	Road	\$ 253,028		\$ 253,028
Jail	LGEA	200,000		200,000
General	LGEA	70,987		70,987
General	Road	33,630	(20,000)	13,630
		<u>\$ 557,645</u>	<u>\$ (20,000)</u>	<u>\$ 537,645</u>

The Department for Local Government requires a listing of all encumbrances at year end so that the fiscal court doesn't encumber, or obligate, funds in excess of available balances. KRS 68.110 forbids expenditures (encumbrances) in excess of revenue and KRS 68.300 prohibits expenditures in excess of budgeted amount.

The Road Fund and LGEA Fund are restricted monies and can only be spent on allowable expenditures. Under the regulatory basis of accounting, fund balances are not adjusted for the unpaid liability on the financial statement, however the liability is still owed.

We recommend that the fiscal court establish a plan of action to repay the interfund payables and eliminate the deficit fund balances.

County Judge/Executive's Response: As stated in my previous audits, these debts were incurred prior to this administration. I would like to also point out the fact that this administration has actually started to pay down on these.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-002 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, And Record-Keeping Functions

The fiscal court has a lack of segregation of duties over receipt, disbursement, and record-keeping functions which increases the risk that fraud, errors, or misstatements may occur and go undetected for a significant period of time. Typically when one person is in charge of these functions, strong compensating controls are needed. The treasurer posts receipts, posts some disbursements, and prepares bank reconciliations and reports. The finance officer posts other disbursements and completes payroll. There does not appear to be any review of receipts or disbursements after they are initially input into the computer system.

We recommend the following procedures be implemented to strengthen internal controls over these various functions:

- An independent person should list all receipts and agree them back to the treasurer's receipts ledger. Also, the employee opening the mail should keep a listing of all checks received for that day, detailing the date received, the check amount, who it is from, and what the check is for. The person can document this by initialing the receipts ledgers and verifying the receipts are posted to the correct account codes.
- An independent person should open bank statements and review them for unusual items, such as debit memos and overdraft charges. The person can document this by initialing the bank statement.
- An independent person should review the treasurer's bank reconciliations for accuracy and agree them to book balances for all funds. The person completing this review should initial the bank reconciliation to document that a review was performed.
- An employee independent of check writing and posting duties should match purchase orders to checks and invoices. The employee who signs the checks should cancel the purchase orders and invoices to ensure invoices are not paid twice. Also, the employee should ensure the check numbers agree to the check register and vouchers and the disbursements are posted to the appropriate account code.

County Judge/Executive's Response: We will continue to work to improve in these areas. I'm confident that we've already made significant strides in addressing these items with the change in office staff.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-003 Internal Controls Over Transfer Station Receipts Should Be Improved

During our audit, we noted a lack of internal controls over transfer station receipts. Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. Good 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. Our review of the cash receipt process for the transfer station revealed weaknesses in internal controls that should be addressed. The Powell County Transfer Station collects money from customers for garbage disposal. 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 received each day. These cash register receipt tapes have only the total collected each day when brought to the treasurer. However, the transfer station does not deliver the daily collections to the treasurer on a daily basis. And collection monies are delivered to the treasurer without a copy of the individual receipts. In addition, the treasurer does not post receipts daily or make daily deposits. Numerous days are posted and deposited together.

Due to the high volume of cash transactions, we recommend the county implement the following procedures:

- All monies and a copy of the receipts should be given to the treasurer.
- The treasurer should review all receipts to check for missing receipt numbers and recompute receipts and moneys collected each day. On a regular basis, the treasurer and transfer station employee should agree his receipt log to her total deposited for each day to ensure all transfer station collection receipts are accounted for properly.
- The treasurer should post receipts and make daily deposits.

County Judge/Executive's Response: I agree that ideally each customer should have a receipt presented to them. The majority of the customers don't want one as they are often for amounts less than a dollar. With the larger number of citizens served each day with limited staff that is also overseeing inmates it makes it difficult to provide each customer with a receipt.

2015-004 The Fiscal Court Should Review All Invoices Prior To Payment

The fiscal court did not approve all disbursements prior to payment. We noted 18 instances, totaling \$20,680 in which the county did not properly approve invoices prior to payment. Fiscal court approval of all claims is important to ensure all claims are proper and decreases the risk that funds will be misappropriated. Guidance regarding fiscal court approval is outlined in KRS 68.275(2), which states, "The county judge/executive shall present all claims to the fiscal court for review prior to payment..." We recommend that the judge/executive ensure that all claims are presented to and reviewed by the fiscal court prior to payment.

County Judge/Executive's Response: When I questioned what these were, I was told they were primarily invoices such as ones to Delta Gas. If this is the case they should be covered by the preapproved line that enables the treasurer to pay utilities. I don't think each utility company has to have its own separate line but can be grouped under utilities which would mean this finding may not exist.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-005 The Fiscal Court Lacks Adequate Segregation Of Duties Over The Payroll Function

A lack of adequate segregation of duties exists over the payroll function. The payroll clerk enters the information necessary to process the payroll into the computer system, prepares the documentation, (including the checks) to transfer monies from the county's funds into the payroll revolving account, posts the payroll disbursements to the appropriations ledger, reconciles the payroll bank account, and prepares and pays withholding reports.

Segregation of duties over payroll functions of cash transfers, preparation of checks, disbursements posting, and reconciliation of bank records to source documents, or implementation of compensating controls when limited by staff size is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Because one employee handled all payroll functions and oversight was not provided, the following occurred:

- The fiscal court did not file accurate and timely 941 forms. (Comment 2015-006)
- Two employees received \$3,000 each in lump sum payments. (Comment 2015-007)
- One employee was not working the required 40 hours per week to be considered full-time, however they received full-time county benefits. (Comment 2015-008)
- Overtime computations were not correct for two employees. (Comment 2015-009)
- Payroll computations were not correct for four employees. (Comment 2015-010)
- Leave balances were not maintained properly. (Comment 2015-011)
- Two regular full-time employees were not participating in the retirement system. (Comment 2015-012)
- Dental insurance for four individuals continued to be paid after termination. (Comment 2015-013)

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, we recommend the fiscal court separate the duties of entering the information necessary to process the payroll into the computer system, preparing the documentation (including the checks) to transfer monies from the county's funds into the payroll revolving account, posting the payroll disbursements to the appropriations ledger and reconciling the payroll bank account. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties.

County Judge/Executive's Response: The previous payroll clerk was the employee responsible for all the items that are mentioned here. That employee is no longer on staff and I am confident that the issues which led to these findings have been corrected.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-006 The Fiscal Court Did Not File Accurate And Timely 941 Forms

We noted the fiscal court did not file accurate and timely 941 Forms for the fiscal year 2015 with the Internal Revenue Service as required by IRS Publication 15. Form 941 is used to summarize and reconcile all FICA, Medicare, and Federal tax withholdings based on the entity's payroll records. The failure to file these forms in a timely manner will likely result in penalties from the IRS and is indicative of improper payroll procedures and poor financial management practices. A former payroll clerk did not file accurate and timely 941 Forms which has resulted in the county owing taxes, penalties, and interest to the IRS for calendar year 2015 and previous years. The county is currently appealing the penalty and interest amounts of the liabilities due the IRS.

We recommend the treasurer ensure complete, accurate and timely 941 Forms are filed quarterly with the Internal Revenue Service.

County Judge/Executive's Response: This is the responsibility of the payroll clerk. It wasn't till recently that it came to our attention that the previous employee had failed to file these. That employee is no longer in the employment of the county and the current payroll clerk is already working with the appropriate people to get these issues resolved.

2015-007 Employees Should Not Receive Lump Sum Salary Payments

During the fiscal year 2015, two employees received an extra one-time salary payment of \$3,000 each for administrative support of the CSEPP program and an additional \$1,569 was paid for matching of FICA and retirement. No county employee should receive a lump sum salary payment. Any additional salary the fiscal court deemed necessary should have been included in gross wages for these employees and paid on a biweekly basis. These lump sum salary payments were made in FY 2014 and FY 2015 and may have occurred in other years.

Usually payroll account codes are on the preapproval list so the fiscal court would not necessarily have to individually approve salary payments. However these payments were posted under office costs account code requiring fiscal court approval. We reviewed the fiscal court orders and could not find any approval of additional salary. Since these employees were checks signers for the payroll account, it would have been easy to pay this amount without any oversight.

We recommend the fiscal court cease the practice of making lump sum payments to employees. Furthermore, the fiscal court should ensure the county financial personnel cannot pay themselves additional funds without any oversight.

County Judge/Executive's Response: This issue has also been addressed. One of the two employees, who did this, is no longer an employee and the remaining has been addressed by the court on the issue. It should also be noted that there has been more securities put in place to prevent this from being able to be accomplished in the future.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-008 Part-time Employees Should Not Receive Full-time Benefits

According to the fiscal court's Policy and Procedures Manual, a regular part-time employee is defined as an employee who works less than 40 hours a week, but on a regularly scheduled basis. We noted one employee that did not work an average of 40 hours a week; however, the employee was considered full-time and received full-time county benefits. The employee averaged 32 hours per week (four 8 hour shifts) including leave time taken and holiday pay. All employees should work the regularly scheduled hours and take leave for hours not worked or leave without pay. If employees do not work the 40 hours per week as required, they should not receive any fulltime benefits.

The fiscal court should review the Policy and Procedures Manual and determine if this employee is really full-time and should be entitled to all benefits. The fiscal court should require supervisors or department heads to adhere to the guidelines set forth by the Policy and Procedure Manual and ensure full-time employees are working scheduled hours unless leave is available and are working at least 40 hours per week.

County Judge/Executive's Response: It is my understanding that this pertained to a jail employee. Those employees are not under the direct supervision of the Fiscal Court so I would defer a comment to that employee's supervisor.

2015-009 The Fiscal Court Should Pay Overtime Properly

During our testing of payroll, we found that two employees were not paid the correct amount for overtime worked during the fiscal year ending June 30, 2015. KRS 337.285(1) states no employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed. KRS 337.285(2) has exceptions to this provision, which includes employees exempt from the overtime provision of the Fair Labor Standards Act. However, these employees do not appear to be exempt from being paid overtime at a rate of one and one-half times her hourly rate. We recommend the county pay the correct amount of overtime to all employees.

County Judge/Executive's Response: It was explained to us that this was an EMS employee and that the time was not reported correctly to the payroll clerk. We will work with current EMS director to prevent instances such as this from happening in the future.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-010 Payroll Computations Were Not Correct For Four Employees

In our test of payroll we noted four instances where the payroll computations were not calculated correctly. In each instance the employee received less than wages due. One employee handled all payroll functions and oversight was not provided. When limited by staff size, strong oversight and compensating controls should be provided over the payroll function. Payroll computations should be rechecked or reviewed. We recommend that an independent person review the payroll preparation to ensure the payroll amounts are calculated correctly.

County Judge/Executive's Response: It was explained to us that this was another example of where the previous payroll clerk miscalculated payroll. To my knowledge the new payroll clerk has corrected all issues that previously existed and is accurately and correctly performing the job requirements of that position.

2015-011 Leave Balances Are Not Maintained Properly

Leave balances are not being maintained properly for county employees. The department heads do maintain separate leave balance sheets for each employee. However, leave balance hours maintained by the payroll clerk that are included on the employee's paystubs are not accurate. Jail employees do not have any leave balances on their paystubs. During review of payroll stubs, leave balances exceeded the amount allowed to be carried over for calendar year. The county should ensure that accurate records are kept for all leave earned and leave taken.

Based on the administrative code full-time employees earn vacation leave after one (1) year of service and as follows; 1 to 5 years – 40 hours or 5 days, 6 to 15 years – 80 hours or 10 days and 15 and thereafter – 120 hours or 15 days. They also earn 8 hours or 1 sick day a month. The employee can only carry over 10 days or 80 hours each year of vacation time, any additional time is lost. Sick leave can be accumulated for 60 days or 480 hours; however, they can only be paid out 240 sick leave hours upon terminating employment.

If employees' leave balances are not accurate and not maintained properly at year end, an employee could be compensated for more or less hours worked during the year or use leave that they are not entitled to. We recommend the county require the payroll clerk maintain accurate leave balances for each employee. Furthermore, department heads could maintain a leave balance sheet for each of their employees and reconcile these to the county's records on a regular basis to help ensure accuracy. We recommend the county have all employees sign a statement noting all leave balances at the beginning of each year to ensure accuracy.

County Judge/Executive's Response: I would also credit this to the past payroll clerk. Our current clerk now has and maintains all leave balances as do department heads. These balances are also now included in our payroll software and are reflected on checks, which allow employees to review totals each payroll.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-012 The Fiscal Court Should Ensure All Eligible Employees Participate In Retirement

During our payroll testing we found that two ambulance employees were working over 100 hours per month and not receiving retirement benefits. KRS 78.510(21) says a regular full-time position shall mean all positions that average one hundred (100) or more hours per month, determined by using the number of hours actually worked in a calendar year or fiscal year. Not withholding retirement for employees that work an average of 100 hours a month could result in penalties assessed by the Kentucky Retirement System and expose the county to potential future liabilities. Each department head should determine that all employees averaging over 100 hours per month are participating in the retirement system by contacting the payroll clerk and informing the fiscal court. We recommend the county correct this issue by ensuring employees receive the proper retirement benefits.

County Judge/Executive's Response: The policy procedure manual that was in place had stated that an employee had to average these totals for a year to become eligible for these benefits. If changes are needed we will make the necessary changes to the Policy & Procedures manual.

2015-013 Insurance Premiums Were Paid For Former Employees And Officials

We found that two employees and two officials no longer associated with the fiscal court were not removed from the dental insurance invoice, and the county continued to pay for their insurance premiums months after their employment/tenure ended. The county paid excess premiums totaling \$764 for the four individuals during fiscal year 2015. It is indicative of poor financial management practices to incur expenses that are not necessary and that are for the benefit of former employees and officials. Good internal controls require reconciling insurance invoices on a regular basis, especially when there is a change in employment status.

We recommend the fiscal court ensure that former employees and officials are removed from the insurance policies.

County Judge/Executive's Response: This too is the responsibility of the payroll clerk to audit each insurance bill with the payrolls to ensure that each charge to the county is accurate and matches the coverage that employee has selected. Evidently the previous person in this capacity failed to adequately do this or this would not have occurred. Our current clerk is checking monthly insurance bill to make sure they are accurate and that any changes that have been made are reflected.

2015-014 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules

During the review of capital assets, we noted that the fiscal court did not maintain a capital asset schedule, nor did they maintain a list of capital asset additions, retirements and disposals. Because a capital asset schedule was not maintained, additions were not accounted for properly. The Department for Local Government (DLG) requires counties to maintain capital asset records (see DLG County Budget Preparation and State Local Finance Officer Policy Manual pages 55-60) as well as a description of the asset, historical cost, date of acquisition, and useful life of the asset. Not maintaining an accurate list of capital assets could cause capital assets to not be insured or insurance to be paid for an asset the county no longer owns.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-014 The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules
 (Continued)

The auditor noted that annual inventories were not being performed. In order to strengthen the county's internal controls over capital assets and infrastructure, and to comply with DLG's policy manual, we recommend a schedule of additions be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, the capital asset listing should be monitored and maintained on a regular basis.

As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. The assets added or deleted should also include capital assets purchased or disposed of by the sheriff and county clerk. The fiscal court should reconcile all annual inventory reports to the additions, retired assets, and surplus list to ensure accurate accounting of capital assets. We also recommend that the county implement policies that will identify and track additions, retirements, and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated.

County Judge/Executive's Response: The treasurer is responsible for this task. It has been made very clear to this employee that this needs to be corrected. It should also be noted that there are being updates to our current software that will simplify this process.

2015-015 The Detention Center Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over the accounting function at the detention center due to a limited number of staff. One employee collects money, prepares deposits, makes deposits, prepares monthly reports, remits monthly reports along with inmate fees to the county treasurer, reconciles the bank account, and makes payments from the bank account.

Segregation of duties over accounting functions of cash collection, cash disbursements and reconciliation of bank records to source documents, or implementation of compensating controls when limited by staff size, is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the jailer separate the duties involving the collection of cash, deposit of cash, disbursement of cash and reconciliation of cash and also provide strong oversight to offset any lack of segregation of duties:

- The jailer, or his designee, could periodically compare a daily bank deposit to the daily checkout sheet and receipts ledger.
- The jailer could require dual signatures on all checks, with one being the jailer's.
- The jailer, or his designee, could compare bond fees, booking fees, and housing fees recorded on daily checkout sheets or the receipts ledger to computer generated reports and monthly disbursements to the fiscal court. Any variances should be reconciled.

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

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued)

2015-015 The Detention Center Lacks Adequate Segregation Of Duties (Continued)

- The jailer, or his designee, could perform reconciliations of beginning inventory on hand to purchases, sales, and ending inventory on hand. Alternatively, the jailer could periodically recount physical inventory available for sale. The jailer's count should be compared to the ending inventory on hand balance. Any variances should be reconciled.
- All reviews should be documented by initialing deposit slips, bank statements, invoices, and other monthly reports.

County Jailer's Response: We will continue to work on this issue.

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

2015-016 The Fiscal Court Should Improve Cash Management Practices Relating To The Single Audit Compliance Requirements For CSEPP

Federal Program: CFDA #97.040 Chemical Stockpile Emergency Preparedness Program

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Cash Management

Amount of Questioned Costs: \$0

The fiscal court received federal funds for a reimbursement grant from CSEPP (Chemical Stockpile Emergency Preparedness Program). The cash management requirement includes a provision that all federal funds received prior to the expenditures being paid must be paid out within a timely manner. Since the grant agreement does not specify a certain number of days, county personnel stated that the oversight agency previously recommended three to five working days as the time frame for determining if a payment was timely. Of the 14 items tested, for funds received in advance, we found six instances totaling \$400,608 that were not paid within the five days. The longest period was 46 working days from the receipt of the federal funds to the date of payment.

We recommend the fiscal court and the CSEPP Coordinator improve controls related to the CSEPP federal program and comply with cash management requirements.

County Judge/Executive's Response: Last year's audit as well as this finding has made us aware of some deficiencies in our CSEPP director's job performance. These issues have been discussed and are now hopefully resolved and if not the appropriate actions will be taken to correct them. We have also added additional oversight of his activities with a new CSEPP financial officer.

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

Section IV: Summary Schedule of Prior Audit Findings (FEDERAL FINDINGS ONLY)

Comment repeated in current year as 2015-016:

2014-034 The County Should Improve Controls Relating To The Single Audit Compliance Requirements of Cash Management For The CSEPP

Prior Audit comments cleared and not repeated in current year:

2014-032 The County Did Not Properly Manage The Activity Of \$2,921,538 of CSEPP Funds

2014-033 The County Should Improve Controls Relating to the Single Audit Compliance Requirements of Allowable Costs For The CSEPP

2014-035 The County Should Improve Controls And Comply With Requirements of Procurement, Suspension, And Debarment For The CSEPP And Should Comply With KRS 424.260 And Bid All Expenditures Over \$20,000

2014-036 The County Should Improve Controls And Comply With Requirements Of Davis Bacon Act

2014-037 The County Should Improve Controls And Comply With Requirements Of Equipment And Real Property Management

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

POWELL COUNTY FISCAL COURT

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

Appendix A

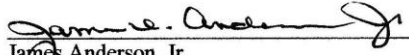
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

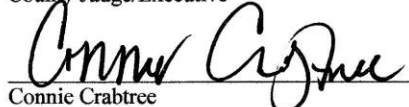
POWELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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.


James Anderson, Jr.

County Judge/Executive


Connie Crabtree

County Treasurer

