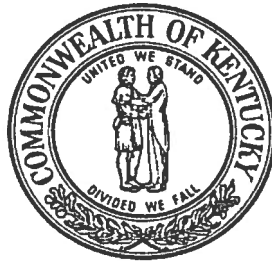


**REPORT OF THE AUDIT OF THE
POWELL COUNTY
FISCAL COURT**

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



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

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon
Auditor of Public Accounts

Enclosure

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EXECUTIVE SUMMARY
AUDIT OF THE
POWELL COUNTY FISCAL COURT

June 30, 2016

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

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

Financial Condition:

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

Findings:

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

Deposits:

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

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Emphasis-of-Matter

Deficit Fund Balances

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

Other Matters

Supplementary Information

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

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

Other Matters (Continued)

Supplementary Information (Continued)

The accompanying Budgetary Comparison Schedules and the Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of the Powell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Powell County Fiscal Court's internal control over financial reporting and compliance.

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

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

March 24, 2017

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

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

Other Elected Officials:

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

Appointed Personnel:

Connie Crabtree	County Treasurer
Kacey Davidson	Finance Officer / Payroll Clerk

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

For The Year Ended June 30, 2016

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

For The Year Ended June 30, 2016

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

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

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

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

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

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

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

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

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TO THE FINANCIAL STATEMENT**

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POWELL COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

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

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 receipts and disbursements of the county's emergency operations.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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

E. Powell County Elected Officials

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

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

F. Deposits and Investments

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

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(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, 2016, 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 2016.

	General Fund	Road Fund	Jail Fund	Grants Fund	Ambulance Fund	Total Transfers In
General Fund	\$	\$105,000	\$	\$338,724	\$	\$ 443,724
Road Fund	41,362				1,300	42,662
Jail Fund	475,000					475,000
LGEA Fund	10,000					10,000
Forest Fire Fund	500					500
Grants Fund	41,633					41,633
Ambulance Fund	312,550		3,266			315,816
Dispatch Fund	58,500					58,500
Total Transfers Out	<u>\$939,545</u>	<u>\$105,000</u>	<u>\$3,266</u>	<u>\$338,724</u>	<u>\$ 1,300</u>	<u>\$ 1,387,835</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, 2016
(Continued)

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$27,936.

Note 5. Long-term Debt

A. KACoFC Revenue Bonds, 2016 First Series B

On May 18, 2016, the Powell County Fiscal Court entered into a \$6,310,000 financing agreement related to the issuance of Kentucky Association of Counties Finance Corporation (KACoFC) Financing Program Revenue Bonds, 2016 First Series B for the construction of a jail project. In addition, the bond proceeds were used to capitalize interest through June 20, 2017, and to pay off the outstanding balances of four Powell County Fiscal Court Detention Facility bank loans.

The financing agreement requires annual principal payments and semiannual interest payments commencing December 20, 2017 and ending December 20, 2035. As of June 30, 2016, the principal balance outstanding is \$6,310,000. Future principal and interest payment requirements are:

Fiscal Year Ended June 30	Principal	Interest
2017	\$	\$
2018	235,000	216,700
2019	245,000	208,913
2020	255,000	200,800
2021	260,000	192,437
2022-2026	1,470,000	790,400
2027-2031	1,770,000	489,038
2032-2036	2,075,000	177,662
Totals	<u>\$ 6,310,000</u>	<u>\$ 2,275,950</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Long-term Debt (Continued)

B. 2013 Ambulance Lease

On June 1, 2013, the Powell County Fiscal Court entered into a \$76,215 capital lease with a local 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, 2016, the principal balance outstanding was \$19,819. Payments for the remaining year are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 19,819	\$ 270
Totals	\$ 19,819	\$ 270

C. 2014 Ambulance Lease

On November 7, 2014, the Powell County Fiscal Court entered into a \$75,310 short-term note with a local bank for the acquisition of an ambulance. On July 20, 2015, the note was converted to a five year loan agreement which requires monthly principal and interest payments of \$1,356, beginning September 1, 2015, with a final scheduled payment date of August 1, 2020. As of June 30, 2016, the principal balance outstanding was \$63,515. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 14,637	\$ 1,638
2018	15,078	1,197
2019	15,513	762
2020	15,961	314
2021	2,326	8
Totals	\$ 63,515	\$ 3,919

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Long-term Debt (Continued)

D. 2016 Dodge 2500 Ram Truck

On March 29, 2016, the Powell County Fiscal Court financed \$25,887 with a bank for the purchase of a 2016 Dodge 2500 Ram Truck. The repayment requires 60 monthly payments of \$506, beginning May 14, 2016, with a final scheduled payment date of April 14, 2021. As of June 30, 2016, the principal balance outstanding was \$25,151. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 4,584	\$ 1,494
2018	4,888	1,190
2019	5,211	866
2020	5,557	521
2021	4,911	153
Totals	<u>\$ 25,151</u>	<u>\$ 4,224</u>

E. 2016 Dodge 5500 Ram Truck

On April 1, 2016, the Powell County Fiscal Court financed \$42,813 with a bank for the purchase of a 2016 Dodge 5500 Ram Truck. The repayment requires 60 monthly payments of \$838, beginning May 14, 2016, with a final scheduled payment date of April 14, 2021. As of June 30, 2016, the principal balance outstanding was \$41,633. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 7,582	\$ 2,469
2018	8,087	1,964
2019	8,627	1,424
2020	9,202	850
2021	8,135	241
Totals	<u>\$ 41,633</u>	<u>\$ 6,948</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Long-term Debt (Continued)

F. 2016 Dodge 2500 Ram Truck

On June 1, 2016, the Powell County Fiscal Court financed \$25,887 with a bank for the purchase of a 2016 Dodge 2500 Ram Truck. The repayment requires 60 monthly payments of \$506, beginning July 16, 2016, with a final scheduled payment date of June 16, 2021. As of June 30, 2016, the principal balance outstanding was \$25,887. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 4,535	\$ 1,543
2018	4,836	1,242
2019	5,156	921
2020	5,498	580
2021	5,862	215
Totals	<u>\$ 25,887</u>	<u>\$ 4,501</u>

G. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$	\$ 6,310,000	\$	\$ 6,310,000	\$
Financing Obligations	<u>1,045,512</u>	<u>169,897</u>	<u>1,039,404</u>	<u>176,005</u>	<u>51,157</u>
Total Long-term Debt	<u>\$ 1,045,512</u>	<u>\$ 6,479,897</u>	<u>\$ 1,039,404</u>	<u>\$ 6,486,005</u>	<u>\$ 51,157</u>

Note 6. Contingencies

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Employee Retirement System

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

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 2014 was \$443,649, FY 2015 was \$438,048, and FY 2016 was \$380,380.

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%

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 7. Employee Retirement System (Continued)

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

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

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

Note 8. 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 permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

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

Note 9. Insurance

For the fiscal year ended June 30, 2016, the Powell County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 10. Fund Balance - Deficits

As of June 30, 2016, the general fund and jail fund had deficit balances totaling \$430,256. The general fund deficit is primarily due to payroll related liabilities incurred in prior periods. The jail fund has a deficit primarily because of prior period transfers due back to restricted funds.

	General	Jail	Total
Cash Balance	\$ 213,876	\$ 45,228	\$ 259,104
Interfund Payables	(60,987)	(453,028)	(514,015)
Encumbrances	(33,541)	(12,083)	(45,624)
Retirement/IRS Liabilities	(129,721)	-	(129,721)
Fund Balance	<u>\$ (10,373)</u>	<u>\$ (419,883)</u>	<u>\$ (430,256)</u>

Note 11. Prior Period Adjustment

The beginning balance of the jail fund was increased by \$381 to account for a prior year voided check, resulting in a restated beginning balance of \$20,670.

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,915,376	\$ 1,915,376	\$ 2,136,128	\$ 220,752
In Lieu Tax Payments	15,500	15,500	19,905	4,405
Excess Fees	4,000	4,000	8,993	4,993
Intergovernmental	150,350	150,350	225,299	74,949
Charges for Services	91,000	91,000	92,000	1,000
Miscellaneous	770,360	770,360	597,566	(172,794)
Interest	500	500	271	(229)
Total Receipts	<u>2,947,086</u>	<u>2,947,086</u>	<u>3,080,162</u>	<u>133,076</u>
DISBURSEMENTS				
General Government	1,314,919	1,320,457	1,213,532	106,925
Protection to Persons and Property	471,865	522,383	436,126	86,257
General Health and Sanitation	311,200	397,928	373,892	24,036
Social Services	20,100	20,100	20,000	100
Recreation and Culture	120,360	125,511	93,144	32,367
Debt Service		2,500	1,013	1,487
Administration	663,856	544,630	414,827	129,803
Total Disbursements	<u>2,902,300</u>	<u>2,933,509</u>	<u>2,552,534</u>	<u>380,975</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>44,786</u>	<u>13,577</u>	<u>527,628</u>	<u>514,051</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			51,774	51,774
Transfers From Other Funds	650,723	650,723	443,724	(206,999)
Transfers To Other Funds	(745,509)	(745,509)	(939,545)	(194,036)
Total Other Adjustments to Cash (Uses)	<u>(94,786)</u>	<u>(94,786)</u>	<u>(444,047)</u>	<u>(349,261)</u>
Net Change in Fund Balance	(50,000)	(81,209)	83,581	164,790
Fund Balance Beginning	<u>50,000</u>	<u>130,295</u>	<u>130,295</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 49,086</u>	<u>\$ 213,876</u>	<u>\$ 164,790</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(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	\$ 27,262	\$ (12,738)
Intergovernmental	1,353,314	1,353,314	1,607,195	253,881
Miscellaneous	32,000	32,000	20,935	(11,065)
Interest	1,000	1,000	384	(616)
Total Receipts	1,426,314	1,426,314	1,655,776	229,462
DISBURSEMENTS				
Other Transportation Facilities and Services	30,000	23,702		23,702
Roads	715,740	1,249,779	1,185,486	64,293
Debt Service		1,950	1,675	275
Administration	770,280	210,349	160,217	50,132
Total Disbursements	1,516,020	1,485,780	1,347,378	138,402
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(89,706)	(59,466)	308,398	367,864
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			42,813	22,662
Transfers From Other Funds	20,000	20,000	42,662	82,058
Transfers To Other Funds	(187,058)	(187,058)	(105,000)	22,662
Total Other Adjustments to Cash (Uses)	(167,058)	(167,058)	(19,525)	127,382
Net Change in Fund Balance	(256,764)	(226,524)	288,873	515,397
Fund Balance Beginning	256,764	256,764	13,862	(242,902)
Fund Balance - Ending	\$ 0	\$ 30,240	\$ 302,735	\$ 272,495

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,268,600	\$ 1,268,600	\$ 1,392,590	\$ 123,990
Charges for Services	36,100	36,100	37,892	1,792
Miscellaneous	54,000	54,000	70,313	16,313
Interest	100	100	108	8
Total Receipts	<u>1,358,800</u>	<u>1,358,800</u>	<u>1,500,903</u>	<u>142,103</u>
DISBURSEMENTS				
Protection to Persons and Property	1,220,100	1,356,808	1,343,562	13,246
General Health and Sanitation	74,800	94,736	92,479	2,257
Debt Service	163,113	127,811	127,193	618
Administration	344,299	385,610	384,845	765
Total Disbursements	<u>1,802,312</u>	<u>1,964,965</u>	<u>1,948,079</u>	<u>16,886</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(443,512)</u>	<u>(606,165)</u>	<u>(447,176)</u>	<u>158,989</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	392,063	467,063	475,000	7,937
Transfers To Other Funds			(3,266)	(3,266)
Total Other Adjustments to Cash (Uses)	<u>392,063</u>	<u>467,063</u>	<u>471,734</u>	<u>4,671</u>
Net Change in Fund Balance	(51,449)	(139,102)	24,558	163,660
Fund Balance Beginning (Restated)	<u>51,449</u>	<u>51,449</u>	<u>20,670</u>	<u>(30,779)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (87,653)</u>	<u>\$ 45,228</u>	<u>\$ 132,881</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 237,100	\$ 237,100	\$ 174,905	\$ (62,195)
Miscellaneous	1,000	1,000		(1,000)
Interest	1,000	1,000	276	(724)
Total Receipts	239,100	239,100	175,181	(63,919)
DISBURSEMENTS				
General Government	18,407	18,407	16,154	2,253
Protection to Persons and Property	67,500	51,646	44,211	7,435
Social Services	3,000	3,000	3,000	
Recreation and Culture	5,000	6,000	5,000	1,000
Roads	160,000	276,363	271,664	4,699
Airports	6,000	6,000	6,000	
Administration	282,000	23,100	11,598	11,502
Total Disbursements	541,907	384,516	357,627	26,889
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(302,807)	(145,416)	(182,446)	(37,030)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	10,000	
Transfers To Other Funds		(95,257)		95,257
Total Other Adjustments to Cash (Uses)	10,000	(85,257)	10,000	95,257
Net Change in Fund Balance	(292,807)	(230,673)	(172,446)	58,227
Fund Balance Beginning	292,807	388,064	388,064	
Fund Balance - Ending	\$ 0	\$ 157,391	\$ 215,618	\$ 58,227

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,221	\$ 71
Total Receipts	1,150	1,150	1,221	71
DISBURSEMENTS				
Protection to Persons and Property	1,550	3,048	3,048	
Total Disbursements	1,550	3,048	3,048	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400)	(1,898)	(1,827)	71
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			500	500
Total Other Adjustments to Cash (Uses)			500	500
Net Change in Fund Balance	(400)	(1,898)	(1,327)	571
Fund Balance Beginning	400	400	1,352	952
Fund Balance - Ending	\$ 0	\$ (1,498)	\$ 25	\$ 1,523

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 478,665	\$ 528,665	\$ 342,417	\$ (186,248)
Interest	60	60	59	(1)
Total Receipts	478,725	528,725	342,476	(186,249)
DISBURSEMENTS				
Protection to Persons and Property	36,978	36,478	28,266	8,212
Social Services		50,000	20,712	29,288
Recreation and Culture	39,188	39,188		39,188
Administration	11,100	11,600	8,415	3,185
Total Disbursements	87,266	137,266	57,393	79,873
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	391,459	391,459	285,083	(106,376)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	26,000	26,000	41,633	15,633
Transfers To Other Funds	(463,665)	(463,665)	(338,724)	124,941
Total Other Adjustments to Cash (Uses)	(437,665)	(437,665)	(297,091)	140,574
Net Change in Fund Balance	(46,206)	(46,206)	(12,008)	34,198
Fund Balance Beginning	46,206	46,206	76,741	30,535
Fund Balance - Ending	\$ 0	\$ 0	\$ 64,733	\$ 64,733

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

NADA HOUSING FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 450,000	\$	\$ (450,000)
Total Receipts	500,000	450,000		(450,000)
DISBURSEMENTS				
Social Services	515,126	465,126		465,126
Total Disbursements	515,126	465,126		465,126
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,126)	(15,126)		15,126
Net Change in Fund Balance	(15,126)	(15,126)		15,126
Fund Balance Beginning	15,126	15,126	127	(14,999)
Fund Balance - Ending	\$ 0	\$ 0	\$ 127	\$ 127

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	728,000	728,000	750,165	22,165
Miscellaneous	10,000	10,000	30,361	20,361
Interest	100	100	41	(59)
Total Receipts	748,100	748,100	790,567	42,467
DISBURSEMENTS				
Protection to Persons and Property	755,824	795,529	790,145	5,384
Debt Service	20,237	34,484	34,484	
Administration	257,485	264,527	261,895	2,632
Total Disbursements	1,033,546	1,094,540	1,086,524	8,016
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(285,446)	(346,440)	(295,957)	50,483
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	262,946	283,203	315,816	32,613
Transfers To Other Funds			(1,300)	(1,300)
Total Other Adjustments to Cash (Uses)	262,946	283,203	314,516	31,313
Net Change in Fund Balance	(22,500)	(63,237)	18,559	81,796
Fund Balance Beginning	22,500	22,500	4,723	(17,777)
Fund Balance - Ending	\$ 0	\$ (40,737)	\$ 23,282	\$ 64,019

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

DISPATCH FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 135,000	\$ 135,000	\$ 202,164	\$ 67,164
Intergovernmental	110,000	110,000	102,944	(7,056)
Interest	20	20	23	3
Total Receipts	<u>245,020</u>	<u>245,020</u>	<u>305,131</u>	<u>60,111</u>
DISBURSEMENTS				
Protection to Persons and Property	214,420	322,424	320,513	1,911
Administration	65,100	63,925	62,768	1,157
Total Disbursements	<u>279,520</u>	<u>386,349</u>	<u>383,281</u>	<u>3,068</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(34,500)</u>	<u>(141,329)</u>	<u>(78,150)</u>	<u>63,179</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>34,500</u>	<u>34,500</u>	<u>58,500</u>	<u>24,000</u>
Total Other Adjustments to Cash (Uses)	<u>34,500</u>	<u>34,500</u>	<u>58,500</u>	<u>24,000</u>
Net Change in Fund Balance		(106,829)	(19,650)	87,179
Fund Balance Beginning			<u>21,760</u>	<u>21,760</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (106,829)</u>	<u>\$ 2,110</u>	<u>\$ 108,939</u>

POWELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

Note 1. Budgetary Information

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

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

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

**POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016**

POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

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	3,383,279		3,383,279	
Buildings	4,313,107	3,383,279		7,696,386
Vehicles and Equipment	3,348,789	572,029	187,500	3,733,318
Infrastructure	4,070,736	673,541		4,744,277
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 15,982,377</u>	<u>\$ 4,628,849</u>	<u>\$ 3,570,779</u>	<u>\$ 17,040,447</u>

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

June 30, 2016

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

**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, 2016, 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 March 24, 2017.

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 Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-004 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-005 to be a significant deficiency.

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 Responses as items 2016-001, 2016-002, and 2016-003.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

March 24, 2017

**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

STATE LAWS AND REGULATIONS:

2016-001 The General And Jail Funds Have Deficits Totaling \$430,256

The fiscal court has deficit fund balances in the general and jail funds totaling \$430,256. The general fund deficit is primarily due to payroll related liabilities incurred in prior periods. During the fiscal year, the finance officer determined that the previous payroll clerk had failed to pay \$58,530 to the Kentucky Retirement System and \$71,191 to the Internal Revenue Service. The finance officer could not determine the liability by fund; therefore, the general fund has primarily assumed the liability for the payroll related liabilities. The fiscal court has been making payments to reduce the balances owed. The jail fund has a deficit primarily because of prior period transfers due back to restricted funds.

	<u>General</u>	<u>Jail</u>	<u>Total</u>
Cash Balance	\$ 213,876	\$ 45,228	\$ 259,104
Interfund Payables	(60,987)	(453,028)	(514,015)
Encumbrances	(33,541)	(12,083)	(45,624)
Retirement/IRS Liabilities	(129,721)	-	(129,721)
Fund Balance	<u>\$ (10,373)</u>	<u>\$ (419,883)</u>	<u>\$ (430,256)</u>

In the past, the fiscal court transferred restricted money from the road and LGEA funds to the general and jail funds. The general fund repaid a portion of the money in fiscal year 2016. A schedule of interfund payables is as follows:

<u>Due From</u>	<u>Due To</u>	<u>6/30/2015 Balance</u>	<u>Increase/ (Decrease)</u>	<u>6/30/2016 Balance</u>
Jail	Road	\$ 253,028	\$ -	\$ 253,028
Jail	LGEA	200,000	-	200,000
General	LGEA	70,987	(10,000)	60,987
General	Road	13,630	(13,630)	-
		<u>\$ 537,645</u>	<u>\$ (23,630)</u>	<u>\$ 514,015</u>

Road and LGEA funds are restricted monies and can only be spent on allowable categories. KRS 42.455(2) states in no event shall LGEA funds be used for expenses related to administration of government. Non-allowable disbursements made by the general and jail funds are due back to the road and LGEA funds.

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

We recommend that the fiscal court seek guidance from the Department for Local Government on the necessary actions to be taken to eliminate the interfund payables. Also, we recommend that the fiscal court reduce and eliminate the payroll related obligations as funds allow.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As stated in my previous audits, the debts were incurred prior to this administration. Our auditors even stated that most of the debts go so far back they can't even tell exactly when some of them started. I would also like to point out that even though we didn't increase these debts, we have started paying them down. These are down another \$23,630.00 from last year. Another thing worth mentioning is that the portion the Jail fund owes the LGEA fund probably shouldn't even be listed as it appears that was an eligible expenditure.

POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

STATE LAWS AND REGULATIONS (Continued):

2016-001 The General And Jail Funds Have Deficits Totaling \$430,256 (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

In relation to the payroll issue. This issue was caused by a previous employee who is no longer on our staff. Our current payroll officer has been doing an outstanding job. We or she was not aware that this situation even existed until she took over. Since that time we have worked to get it corrected as is evident by how much these have been paid down. We should have these issues fully resolved within the next several months. Retirement has been paid down to \$34,870.35 and the IRS balance owed has been paid down, currently the payroll clerk has gone thru the appeals process to try and get the penalties removed.

2016-002 The Fiscal Court Did Not Maintain A Complete and Accurate Capital Asset Schedule

The fiscal court did not maintain a complete and accurate capital asset schedule for the fiscal year ending June 30, 2016. A capital asset schedule was maintained; however, additions and deletions were not accounted for properly. A lack of communication and coordination between the departments in possession of the asset and the county treasurer resulted in omissions from the list.

A complete capital asset schedule ensures accurate financial reporting and protects assets from misappropriation. Not maintaining an updated list of capital assets could cause capital assets to not be insured or result in paying for insurance for an asset the fiscal court no longer owns.

The Department for Local Government (DLG) requires counties to track capital assets (i.e. land, buildings, equipment, vehicles, infrastructure, etc.). The *DLG County Budget Preparation and State Local Finance Officer Policy Manual*, pages 58 through 63, requires the listing of capital assets to include, at a minimum, a description of the asset, cost, and date of acquisition. The capital asset schedule should be adjusted for all current year additions/purchases, retirements, disposals/sale of assets, etc. Any related documentation for capital asset additions, retirements, and disposals in the form of invoices, deeds, purchase orders, sales records, titles, liens, etc. should be maintained in a manner that facilitates easy access, retrieval, and verification of capital asset amounts recorded.

We recommend the fiscal court maintain a schedule of additions and deletions, as assets are purchased, sold, or retired, to simplify the process of updating the capital asset schedule. The capital asset listing should be monitored and maintained on a regular basis and should account for capital assets assigned to all departments. Additionally, we recommend the fiscal court perform physical inventories periodically to confirm the existence of assets and further ensure the accuracy and completeness of the capital asset schedule.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is an area that has been improved but needs further attention. We will work with the Treasurer to insure she keeps a more accurate schedule. We will also start requiring Department Heads to submit a written record to the Treasurer of any addition or deletions from their department. This should insure she has all the information she will need to keep it up to date.

**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)**

STATE LAWS AND REGULATIONS (Continued):

2016-003 Invoices Were Not Paid Timely

Invoices dated November 2015 for KALF and workers compensation were not paid timely. Payments totaling \$230,838 were not made until February, May, and June of 2016.

Poor financial management practices caused invoices to be held and not paid timely. The county incurred \$2,969 in related finance charges for failure to remit payments timely. Finance charges are an unnecessary and avoidable expense and a wasteful use of taxpayer resources.

KRS 65.140(2) requires local governments to pay for goods and services within 30 working days of receiving an invoice.

We recommend the fiscal court ensure that all invoices are paid timely, in order to comply with statute and to avoid finance charges.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: I think most of this can be attributed to an ongoing issue with the CSEPP Director negatively effecting the County's cash flow. We have and will continue to work to fix this issue which in turn should positively impact County funds and allow these to be paid more timely in the future. It should also be noted that the Treasurer got the finance charges reimbursed, so there was no additional cost on our tax payers.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2016-004 Internal Controls Over Transfer Station Receipts Were Weak

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

Based on inquiry, all transfer station employees use one cash register receipt tape on site at the transfer station to document the total amount of funds collected each day. Receipts are issued to customers, but not on a consistent basis. Receipt books are used, but have missing pages and duplicate receipts. Receipts for the day are not batched or recorded on checkout sheets. The transfer station delivers collection monies to the county treasurer on a daily basis, but without a copy of the individual receipts. Receipts are not reviewed and reconciled to ensure that transfer station collections are accounted for completely.

Good internal controls over cash receipts help safeguard assets from employee theft, robbery, and unauthorized use. 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.

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

- ☐ Pre-numbered receipts should be written and maintained for all monies collected, regardless of whether the customer requests a receipt.
- ☐ All monies and a copy of batched receipts should be given to the county treasurer on a daily basis.

**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2016-004 Internal Controls Over Transfer Station Receipts Were Weak (Continued)

- 11** The treasurer should review all receipts to check for missing receipt numbers and compare the total of receipts to the moneys collected each day. On a regular basis, the treasurer and transfer station employee should agree a receipt log to the total deposited to ensure all transfer station collection receipts are accounted for properly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: *We will continue working to improve internal controls at the Transfer Station. This has always been a challenge because of the volume of customers coming through. The solid waste coordinator will be instructed to provide a receipt for each customer to better account for all revenue generated.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2016-005 The Jailer Did Not Prepare A Complete and Accurate Jail Commissary Report

The jail commissary report, presented to the county treasurer for fiscal year 2016, was not a complete and accurate representation of the commissary account. The report had an incorrect beginning balance and no ending balance, although a correct year-end bank reconciliation was provided. Certain receipts and disbursement categories did not agree to the jail records. This resulted in the presentation of an incomplete and inaccurate financial summary to the county treasurer at fiscal yearend.

KRS 441.135(2) states that the jailer "shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer[.]" The Department for Local Government *County Budget Preparation and State Local Finance Officer Policy Manual*, Jail Commissary Fund instructions, provides minimum accounting and reporting standards. It requires a jail commissary year-to-date summary compiled with information obtained from receipts and disbursements journals. The ending balance reported on the summary is reconciled to the bank balance. This summary is sufficient to use as the year-end report that is submitted to the county treasurer.

We recommend the jailer prepare a complete and accurate annual financial statement for the Jail Commissary Fund and present the report to the county treasurer as required.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: *Our records are kept on a computer program that keeps a yearly commissary report that is accurate. We will make sure the worksheet is correct in the future.*

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

POWELL COUNTY FISCAL COURT

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

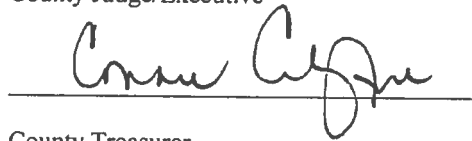
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
POWELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer