

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

**For The Year Ended
June 30, 2018**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

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

Members of the Powell County Fiscal Court

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, 2018, 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 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, 2018, 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, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matter

Deficit Fund Balance

As discussed in Note 12 to the financial statement, the Powell County Fiscal Court had an actual deficit fund balance in its jail fund of \$80,047 at June 30, 2018. The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid. The financial statement does not include any adjustment for a fiscal year-end deficit. This matter does not affect our opinion on the financial statement.

Other Matters

Supplementary Information

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

To the People of Kentucky
 The Honorable Matthew G. Bevin, Governor
 William M. Landrum III, Secretary
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 Members of the Powell County Fiscal Court

Other Matters (Continued)

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the Powell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Powell County Fiscal Court's internal control over financial reporting and compliance.

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

- 2018-001 Interfund Payables Result In A Deficit For The Jail Fund
- 2018-002 The Treasurer Did Not Accurately Report Debt On The Quarterly Financial Statement
- 2018-003 The Fiscal Court Did Not Establish Adequate Controls Over The Jail Construction Fund
- 2018-004 Short-Term Borrowings Were Not In Compliance With KRS 65.117 Or KRS 65.7707

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

June 19, 2019

POWELL COUNTY OFFICIALS**For The Year Ended June 30, 2018****Fiscal Court Members:**

James Anderson, Jr.	County Judge/Executive
Dennis Combs	Magistrate
Chad Patton	Magistrate
Michael Lockard	Magistrate
Timmy Tipton	Magistrate
Donna Gabbard	Magistrate

Other Elected Officials:

Robert G. King	County Attorney
Travis Crabtree	Jailer
Jackie Everman	County Clerk
Brian King	Circuit Court Clerk
Danny Rogers	Sheriff
Dustin Billings	Property Valuation Administrator
Megan Wells Davis	Coroner

Appointed Personnel:

Connie Crabtree	County Treasurer
Kacey Davidson	Chief Financial Officer

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 2,181,045	\$	\$
In Lieu Tax Payments	40,812	35,415	
Excess Fees	93,316		
Intergovernmental	365,319	947,086	1,941,851
Charges for Services	89,151		32,144
Miscellaneous	806,802	137,551	61,946
Interest	364	627	71
Total Receipts	<u>3,576,809</u>	<u>1,120,679</u>	<u>2,036,012</u>
DISBURSEMENTS			
General Government	1,286,842		
Protection to Persons and Property	9,680		1,791,925
General Health and Sanitation	360,596		182,541
Social Services	20,000		
Recreation and Culture	419,409		
Roads		697,286	
Airports			
Debt Service	32,373		451,700
Capital Projects		141,773	
Administration	600,530	155,053	448,147
Total Disbursements	<u>2,729,430</u>	<u>994,112</u>	<u>2,874,313</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>847,379</u>	<u>126,567</u>	<u>(838,301)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	370,000		
Financing Obligation Proceeds-Short-term		137,904	353,725
Payroll Revolving Account	18,568		
Transfers From Other Funds	50,000		636,000
Transfers To Other Funds	(1,317,060)	(50,000)	
Total Other Adjustments to Cash (Uses)	<u>(878,492)</u>	<u>87,904</u>	<u>989,725</u>
Net Change in Fund Balance	(31,113)	214,471	151,424
Fund Balance - Beginning (Restated)	<u>471,321</u>	<u>523,684</u>	<u>21,557</u>
Fund Balance - Ending	<u>\$ 440,208</u>	<u>\$ 738,155</u>	<u>\$ 172,981</u>
Composition of Fund Balance			
Bank Balance	\$ 500,613	\$ 771,324	\$ 218,793
Payroll Revolving Account	18,568		
Less: Outstanding Checks	(78,973)	(33,169)	(45,812)
Fund Balance - Ending	<u>\$ 440,208</u>	<u>\$ 738,155</u>	<u>\$ 172,981</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, 2018
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Chemical Stockpile Emergency Preparedness Program Fund	Ambulance Fund	Forest Fire Fund	Grants Fund	CDBG Grant Fund	Dispatch Fund
\$	\$	\$	\$ 1,166	\$	\$	\$ 110,964
220,130	475,628	10,000 866,355 20,486		11,695	66,217	161,758
201		17		26		9
<u>220,331</u>	<u>475,628</u>	<u>896,858</u>	<u>1,166</u>	<u>21,721</u>	<u>66,217</u>	<u>272,731</u>
16,776 63,497	473,470	899,640	1,524	47,426		334,474
7,000 7,000 55,932 6,000					62,184	
		6,879				
12,186		270,253		4,886		102,563
<u>168,391</u>	<u>473,470</u>	<u>1,176,772</u>	<u>1,524</u>	<u>52,312</u>	<u>62,184</u>	<u>437,037</u>
51,940	2,158	(279,914)	(358)	(30,591)	4,033	(164,306)
70,987	144,000	270,610	500	30,764		165,700 (1,501)
<u>70,987</u>	<u>144,000</u>	<u>270,610</u>	<u>500</u>	<u>30,764</u>		<u>164,199</u>
122,927	146,158	(9,304)	142	173	4,033	(107)
231,665	35,166	18,534	155	56,813	6,117	115
<u>\$ 354,592</u>	<u>\$ 181,324</u>	<u>\$ 9,230</u>	<u>\$ 297</u>	<u>\$ 56,986</u>	<u>\$ 10,150</u>	<u>\$ 8</u>
\$ 385,258	\$ 184,016	\$ 20,764	\$ 297	\$ 66,523	\$ 10,150	\$ 2,254
(30,666)	(2,692)	(11,534)		(9,537)		(2,246)
<u>\$ 354,592</u>	<u>\$ 181,324</u>	<u>\$ 9,230</u>	<u>\$ 297</u>	<u>\$ 56,986</u>	<u>\$ 10,150</u>	<u>\$ 8</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, 2018
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Jail Commissary Fund</u>	<u>Jail Construction Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 2,293,175
In Lieu Tax Payments			76,227
Excess Fees			93,316
Intergovernmental		435,475	4,635,159
Charges for Services			987,650
Miscellaneous	108,242		1,145,027
Interest		8,582	9,897
Total Receipts	<u>108,242</u>	<u>444,057</u>	<u>9,240,451</u>
DISBURSEMENTS			
General Government			1,303,618
Protection to Persons and Property			3,621,636
General Health and Sanitation			543,137
Social Services			89,184
Recreation and Culture	93,407		519,816
Roads			753,218
Airports			6,000
Debt Service		439,000	929,952
Capital Projects		2,386,466	2,528,239
Administration			1,593,618
Total Disbursements	<u>93,407</u>	<u>2,825,466</u>	<u>11,888,418</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>14,835</u>	<u>(2,381,409)</u>	<u>(2,647,967)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			370,000
Financing Obligation Proceeds-Short-term			491,629
Payroll Revolving Account			18,568
Transfers From Other Funds			1,368,561
Transfers To Other Funds			(1,368,561)
Total Other Adjustments to Cash (Uses)			<u>880,197</u>
Net Change in Fund Balance	<u>14,835</u>	<u>(2,381,409)</u>	<u>(1,767,770)</u>
Fund Balance - Beginning (Restated)	<u>16,929</u>	<u>2,574,930</u>	<u>3,956,986</u>
Fund Balance - Ending	<u>\$ 31,764</u>	<u>\$ 193,521</u>	<u>\$ 2,189,216</u>
Composition of Fund Balance			
Bank Balance	\$ 32,364	\$ 193,521	\$ 2,385,877
Payroll Revolving Account			18,568
Less: Outstanding Checks	<u>(600)</u>		<u>(215,229)</u>
Fund Balance - Ending	<u>\$ 31,764</u>	<u>\$ 193,521</u>	<u>\$ 2,189,216</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, 2018

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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.

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

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. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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

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.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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 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).

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.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

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 government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, 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 2018.

	General Fund	Road Fund	Dispatch Fund	Total Transfers In
General Fund	\$	\$ 50,000	\$	\$ 50,000
Jail Fund	636,000			636,000
LGEA Fund	70,987			70,987
CSEPP Fund	144,000			144,000
Ambulance Fund	269,109		1,501	270,610
Forest Fire Fund	500			500
Grants Fund	30,764			30,764
Dispatch Fund	165,700			165,700
Total Transfers Out	\$ 1,317,060	\$ 50,000	\$ 1,501	\$ 1,368,561

Reason for transfers:

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

Note 4. Agency Trust Funds

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, 2018, was \$39,607.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Short-term Debt

A. Promissory Note-Financing Obligation

On June 5, 2015, the Powell County Fiscal Court entered into a promissory note in the amount of \$73,960, with a local bank for the purchase of three Dodge Chargers for the sheriff's office. The original note matured June 30, 2015, and has been extended each June 30 for the unpaid balance. The sheriff's office has made principal payments and interest payments at a rate of 3.25 percent. The principal balance outstanding as of June 30, 2018, is \$24,416.

B. KACoLT Truck Lease-Financing Obligation

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

C. KACoLT Truck Lease-Financing Obligation

On October 30, 2017, the Powell County Fiscal Court entered into a lease agreement in the amount of \$137,904, with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a Mack truck. The lease agreement requires monthly interest payments and one principal payment on April 20, 2019. The principal balance outstanding as of June 30, 2018, is \$137,904.

D. Jail Promissory Note-Financing Obligation

On December 27, 2017, the Powell County Fiscal Court entered into a one-year promissory note with a local bank for \$353,725. The purpose of this note was to be used for a bond payment on the addition to the jail. This loan is to be paid in one principal payment of \$353,725, plus interest on December 27, 2018. The principal balance outstanding as of June 30, 2018, is \$353,725.

E. Changes in Short-term Debt

Short-term debt activity for the year ended June 30 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 180,818	\$ 491,629	\$ 156,402	\$ 516,045	\$ 516,045
Total Short-term Debt	\$ 180,818	\$ 491,629	\$ 156,402	\$ 516,045	\$ 516,045

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Long-term Debt

A. KACoFC Revenue Bonds, 2016 First Series B

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

The financing agreement requires annual principal payments and semiannual interest payments commencing December 20, 2017, and ending December 20, 2035. As of June 30, 2018, the principal balance outstanding is \$6,075,000. Future principal and interest payment requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 245,000	\$ 208,912
2020	255,000	200,800
2021	260,000	192,437
2022	270,000	182,488
2023	280,000	170,812
2024-2028	1,595,000	667,075
2029-2033	1,885,000	370,313
2034-2036	1,285,000	66,412
Totals	<u>\$ 6,075,000</u>	<u>\$ 2,059,249</u>

B. 2014 Ambulance Lease-Financing Obligation

On November 7, 2014, the Powell County Fiscal Court entered into a \$75,310 short-term note with a local bank for the acquisition of an ambulance. On July 20, 2015, the note was converted to a five-year loan agreement which requires monthly principal and interest payments of \$1,356, beginning September 1, 2015, with a final scheduled payment date of August 1, 2020. During fiscal year 2017, the fiscal court paid ahead on the loan so as of June 30, 2018, the principal balance was paid in full.

C. Land-Financing Obligation

On November 15, 2017, the Powell County fiscal court entered into a lease agreement in the amount of \$370,000 with the Kentucky Association of Counties for the purchase of land. The lease agreement is a 20 year term maturing on December 20, 2037. The principal balance outstanding as of June 30, 2018, was \$370,000. Future principal and interest payment requirements are:

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 6. Long-term Debt (Continued)

C. Land-Financing Obligation (Continued)

Fiscal Year Ended June 30	Principal	Interest
2019	\$ 10,000	\$ 16,039
2020	10,000	15,514
2021	15,000	14,864
2022	15,000	14,076
2023	15,000	13,289
2024-2028	80,000	54,506
2029-2033	100,000	33,271
2034-2037	125,000	13,078
Totals	<u>\$ 370,000</u>	<u>\$ 174,637</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 6,310,000	\$	\$ 235,000	\$ 6,075,000	\$ 245,000
Financing Obligations	6,830	370,000	6,830	370,000	10,000
Total Long-term Debt	<u>\$ 6,316,830</u>	<u>\$ 370,000</u>	<u>\$ 241,830</u>	<u>\$ 6,445,000</u>	<u>\$ 255,000</u>

Note 7. Contingencies

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

Note 8. Employee Retirement System

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

The county's contribution for FY 2016 was \$380,380, FY 2017 was \$453,190, and FY 2018 was \$502,224.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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, 2018
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 8. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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 proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. 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 9. 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 10. Insurance

For the fiscal year ended June 30, 2018, the Powell County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2018, was added to the general fund cash balance for financial reporting purposes.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 12. Fund Balance - Deficit

As of June 30, 2018, the jail fund had a deficit balance of \$80,047. The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid. The financial statement does not include any adjustment for a fiscal year-end deficit.

Cash Balance	\$ 172,981
Interfund Payables	<u>(253,028)</u>
Fund Balance	<u><u>\$ (80,047)</u></u>

Note 13. Prior Period Adjustments

The beginning balance of the general fund has been restated and increased by \$105,700 and the road fund has been restated and decreased by \$105,700 due to a deposit error in the prior year. This amount should have originally been deposited into the general fund instead of the road fund. Furthermore, the beginning balances of the general fund and the ambulance fund have been restated and increased by \$22 and \$1,250, respectively, due to prior year voided checks. The beginning balance of the jail construction fund was decreased by \$1 due to rounding.

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018

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POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,093,500	\$ 2,265,500	\$ 2,181,045	\$ (84,455)
In Lieu Tax Payments	20,000	20,000	40,812	20,812
Excess Fees	4,000	4,000	93,316	89,316
Intergovernmental	156,250	354,621	365,319	10,698
Charges for Services	110,000	110,000	89,151	(20,849)
Miscellaneous	776,873	776,873	806,802	29,929
Interest	500	500	364	(136)
Total Receipts	3,161,123	3,531,494	3,576,809	45,315
DISBURSEMENTS				
General Government	1,345,434	1,425,627	1,286,842	138,785
Protection to Persons and Property	6,600	10,125	9,680	445
General Health and Sanitation	364,554	390,975	360,596	30,379
Social Services	20,000	20,000	20,000	
Recreation and Culture	121,521	425,592	419,409	6,183
Debt Service		387,500	32,373	355,127
Administration	1,090,765	1,109,144	600,530	508,614
Total Disbursements	2,948,874	3,768,963	2,729,430	1,039,533
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	212,249	(237,469)	847,379	1,084,848
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		387,500	370,000	(17,500)
Transfers From Other Funds	158,562	158,562	50,000	(108,562)
Transfers To Other Funds	(420,811)	(420,811)	(1,317,060)	(896,249)
Total Other Adjustments to Cash (Uses)	(262,249)	125,251	(897,060)	(1,022,311)
Net Change in Fund Balance	(50,000)	(112,218)	(49,681)	62,537
Fund Balance - Beginning (Restated)	50,000	350,000	471,321	121,321
Fund Balance - Ending	\$ 0	\$ 237,782	\$ 421,640	\$ 183,858

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 40,000	\$ 40,000	\$ 35,415	\$ (4,585)
Intergovernmental	1,108,594	1,108,594	947,086	(161,508)
Miscellaneous	31,000	31,000	137,551	106,551
Interest	500	500	627	127
Total Receipts	1,180,094	1,180,094	1,120,679	(59,415)
DISBURSEMENTS				
Transportation Facilities and Services	10,000	10,000		10,000
Roads	846,450	941,669	697,286	244,383
Capital Projects		141,773	141,773	
Administration	389,838	606,395	155,053	451,342
Total Disbursements	1,246,288	1,699,837	994,112	705,725
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(66,194)	(519,743)	126,567	646,310
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		129,950	137,904	7,954
Transfers To Other Funds	(146,562)	(146,562)	(50,000)	96,562
Total Other Adjustments to Cash (Uses)	(146,562)	(16,612)	87,904	104,516
Net Change in Fund Balance	(212,756)	(536,355)	214,471	750,826
Fund Balance - Beginning (Restated)	212,756	612,756	523,684	(89,072)
Fund Balance - Ending	\$ 0	\$ 76,401	\$ 738,155	\$ 661,754

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,406,513	\$ 2,406,513	\$ 1,941,851	\$ (464,662)
Charges for Services	54,500	54,500	32,144	(22,356)
Miscellaneous	76,000	76,000	61,946	(14,054)
Interest	100	100	71	(29)
Total Receipts	<u>2,537,113</u>	<u>2,537,113</u>	<u>2,036,012</u>	<u>(501,101)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,536,936	1,816,896	1,791,925	24,971
General Health and Sanitation	152,900	197,653	182,541	15,112
Debt Service	458,100	452,637	451,700	937
Administration	427,177	461,152	448,147	13,005
Total Disbursements	<u>2,575,113</u>	<u>2,928,338</u>	<u>2,874,313</u>	<u>54,025</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(38,000)</u>	<u>(391,225)</u>	<u>(838,301)</u>	<u>(447,076)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds-Short-term		353,225	353,725	
Transfers From Other Funds			636,000	636,000
Transfers To Other Funds	<u>(12,000)</u>	<u>(12,000)</u>		<u>12,000</u>
Total Other Adjustments to Cash (Uses)	<u>(12,000)</u>	<u>341,225</u>	<u>989,725</u>	<u>648,000</u>
Net Change in Fund Balance	<u>(50,000)</u>	<u>(50,000)</u>	<u>151,424</u>	<u>201,424</u>
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>21,557</u>	<u>(28,443)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,981</u>	<u>\$ 172,981</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 240,600	\$ 240,600	\$ 220,130	\$ (20,470)
Miscellaneous	1,000	1,000		(1,000)
Interest	1,000	1,000	201	(799)
Total Receipts	242,600	242,600	220,331	(22,269)
DISBURSEMENTS				
General Government	18,407	18,407	16,776	1,631
Protection to Persons and Property	80,000	84,982	63,497	21,485
Social Services	7,000	7,000	7,000	
Recreation and Culture	6,000	7,000	7,000	
Roads	160,000	161,156	55,932	105,224
Airports	6,000	6,000	6,000	
Administration	125,193	198,055	12,186	185,869
Total Disbursements	402,600	482,600	168,391	314,209
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(160,000)	(240,000)	51,940	291,940
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000	70,987	60,987
Total Other Adjustments to Cash (Uses)	10,000	10,000	70,987	60,987
Net Change in Fund Balance	(150,000)	(230,000)	122,927	352,927
Fund Balance - Beginning	150,000	230,000	231,665	1,665
Fund Balance - Ending	\$ 0	\$ 0	\$ 354,592	\$ 354,592

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

**CHEMICAL STOCKPILE EMERGENCY PREPAREDNESS
PROGRAM FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 492,500	\$ 492,500	\$ 475,628	\$ (16,872)
Total Receipts	492,500	492,500	475,628	(16,872)
DISBURSEMENTS				
Protection to Persons and Property	492,500	739,111	473,470	265,641
Administration	25,000	26,171		26,171
Total Disbursements	517,500	765,282	473,470	291,812
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(25,000)	(272,782)	2,158	274,940
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			144,000	144,000
Total Other Adjustments to Cash (Uses)			144,000	144,000
Net Change in Fund Balance	(25,000)	(272,782)	146,158	418,940
Fund Balance - Beginning	25,000	35,000	35,166	166
Fund Balance - Ending	\$ 0	\$ (237,782)	\$ 181,324	\$ 419,106

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 10,000	\$ (10,000)
Charges for Services	870,500	870,500	866,355	(4,145)
Miscellaneous	5,000	18,000	20,486	2,486
Interest	100	100	17	(83)
Total Receipts	895,600	908,600	896,858	(11,742)
DISBURSEMENTS				
Protection to Persons and Property	850,650	900,467	899,640	827
Debt Service		6,879	6,879	
Administration	301,845	294,550	270,253	24,297
Total Disbursements	1,152,495	1,201,896	1,176,772	25,124
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(256,895)	(293,296)	(279,914)	13,382
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	234,895	234,895	270,610	35,715
Total Other Adjustments to Cash (Uses)	234,895	234,895	270,610	35,715
Net Change in Fund Balance	(22,000)	(58,401)	(9,304)	49,097
Fund Balance - Beginning (Restated)	22,000	22,000	18,534	(3,466)
Fund Balance - Ending	\$ 0	\$ (36,401)	\$ 9,230	\$ 45,631

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,166	\$ 16
Total Receipts	1,150	1,150	1,166	16
DISBURSEMENTS				
Protection to Persons and Property	1,550	1,550	1,524	26
Total Disbursements	1,550	1,550	1,524	26
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(400)	(400)	(358)	42
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)	(400)	142	542
Fund Balance - Beginning	400	400	155	(245)
Fund Balance - Ending	\$ 0	\$ 0	\$ 297	\$ 297

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 11,695	\$ (3,305)
Miscellaneous		10,000	10,000	
Interest	60	60	26	(34)
Total Receipts	15,060	25,060	21,721	(3,339)
DISBURSEMENTS				
Protection to Persons and Property	54,412	64,412	47,426	16,986
Recreation and Culture	39,188	39,188		39,188
Administration	7,340	7,340	4,886	2,454
Total Disbursements	100,940	110,940	52,312	58,628
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(85,880)	(85,880)	(30,591)	55,289
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	39,006	39,006	30,764	(8,242)
Total Other Adjustments to Cash (Uses)	39,006	39,006	30,764	(8,242)
Net Change in Fund Balance	(46,874)	(46,874)	173	47,047
Fund Balance - Beginning	46,874	46,874	56,813	9,939
Fund Balance - Ending	\$ 0	\$ 0	\$ 56,986	\$ 56,986

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

CDBG GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 0	\$ 72,303	\$ 66,217	\$ (6,086)
Total Receipts		72,303	66,217	(6,086)
DISBURSEMENTS				
Social Services		72,303	62,184	10,119
Total Disbursements		72,303	62,184	10,119
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			4,033	4,033
Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			4,033	4,033
Fund Balance - Beginning			6,117	6,117
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,150	\$ 10,150

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

DISPATCH FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 132,000	\$ 132,000	\$ 110,964	\$ (21,036)
Intergovernmental	130,000	130,000	161,758	31,758
Interest	20	20	9	(11)
Total Receipts	262,020	262,020	272,731	10,711
DISBURSEMENTS				
Protection to Persons and Property	301,192	336,214	334,474	1,740
Administration	97,738	102,716	102,563	153
Total Disbursements	398,930	438,930	437,037	1,893
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(136,910)	(176,910)	(164,306)	12,604
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	136,910	136,910	165,700	28,790
Transfers To Other Funds		0	(1,501)	
Total Other Adjustments to Cash (Uses)	136,910	136,910	164,199	28,790
Net Change in Fund Balance		(40,000)	(107)	39,893
Fund Balance - Beginning			115	115
Fund Balance - Ending	\$ 0	\$ (40,000)	\$ 8	\$ 40,008

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

June 30, 2018

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (897,060)
To adjust for Payroll Revolving Account balance	<u>18,568</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (878,492)</u>
 Fund Balance - Ending - Budgetary Basis	 \$ 421,640
To adjust for Payroll Revolving Account balance	<u>18,568</u>
Fund Balance - Ending - Regulatory Basis	<u>\$ 440,208</u>

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**POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018**

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POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 866,466	\$ 370,000	\$	\$ 1,236,466
Construction In Progress *	3,726,796	2,448,650		6,175,446
Buildings	7,696,386	165,927		7,862,313
Vehicles and Equipment	4,160,733	525,679	143,315	4,543,097
Infrastructure	5,324,033	165,720		5,489,753
 Total Capital Assets	 <u>\$ 21,774,414</u>	 <u>\$ 3,675,976</u>	 <u>\$ 143,315</u>	 <u>\$ 25,307,075</u>

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

June 30, 2018

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.

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

Note 2. Restatement of Capital Assets Beginning Balance

Construction in progress beginning balance was restated by \$490,000, due to errors and omissions in the prior year.

POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018

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POWELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Provided to Subrecipient</u>	<u>Total Federal Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
Community Development Block Grant/State's Program	14.228	14.030	\$ _____	\$ 62,184
Total U.S. Department of Housing and Urban Development			\$ _____	\$ 62,184
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Transportation Cabinet:</i>				
Highway Planning and Construction Grant - Slade Welcome Center	20.205	P02 628 1000005869	\$ 304,071	\$ 304,071
Total U.S. Department of Transportation			\$ 304,071	\$ 304,071
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Chemical Stockpile Emergency Preparedness Program	97.040	P02 095 16000047101	\$ _____	\$ 473,470
Emergency Management Performance Grants	97.042	P02 095 17000014471	_____	11,627
Total U.S. Department of Homeland Security			\$ _____	\$ 485,097
Total Expenditures of Federal Awards			\$ 304,071	\$ 851,352

The accompanying notes are an integral part of this schedule.

POWELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Powell County, Kentucky under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Powell County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Powell County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

Powell County has not adopted an indirect cost rate.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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, 2018, 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 June 19, 2019.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002, and 2018-003 to be material weaknesses.

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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 2018-001, 2018-002, and 2018-004.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

June 19, 2019

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Powell County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Powell County Fiscal Court's major federal programs for the year ended June 30, 2018. The Powell County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Powell County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 19, 2019

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.040	Chemical Stockpile Emergency Preparedness Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings

2018-001 Interfund Payables Result In A Deficit For The Jail Fund

This is a repeat finding and was included in the prior year audit report as finding 2017-001. The fiscal court had a deficit fund balance of \$80,047 in the jail fund at June 30, 2018, as shown in the table below:

Cash Balance	\$ 172,981
Interfund Payables	(253,028)
Fund Balance	<u>\$ (80,047)</u>

The jail fund deficit was due primarily to prior period transfers of restricted funds that have not been repaid. In the past, the fiscal court transferred restricted money from the jail fund to the road fund. A schedule of interfund payables is as follows:

<u>Due From</u>	<u>Due To</u>	<u>6/30/2017 Balance</u>	<u>Increase/ (Decrease)</u>	<u>6/30/2018 Balance</u>
Jail	Road	<u>\$ 253,028</u>	<u>\$</u>	<u>\$ 253,028</u>

The road fund is restricted for transportation, with the exception of the amount calculated on the road fund cost allocation worksheet. Non-allowable disbursements made by the jail fund are due back to the road fund. 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 the fund liabilities be repaid as money becomes available.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As I have stated in previous audits, it should be clearly stated and understood that this finding is not a result of this administration or that of the current jailer. Previous auditors made an attempt to trace back when this actually occurred and went back to the early 90's before they quit trying to determine when it originated. It should also be noted though that as a result of this administration's efforts this amount is down \$200,000 from what it was when it came in. Even though we didn't create the issue it has and will continue to be our goal to resolve it as soon as jail revenues allow.

2018-002 The Treasurer Did Not Accurately Report Debt On The Quarterly Financial Statement

The liabilities section of the fourth quarter report (which serves as the year-end financial statement) inaccurately reported debt obligations. The quarterly report overstated the interest balance for the KACo 2016 Series B Bond Pool by \$355,378. The treasurer did not update the reported interest balances. By not accurately reporting debt, the county is not in compliance with the Department for Local Government (DLG). In addition, the fiscal court does not have accurate information on which to base financial decisions. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all county debt be reflected properly on the quarterly financial statement. We recommend the treasurer ensure accuracy when reporting the county's liabilities on the fourth quarter report submitted to DLG and consult with its lenders to verify outstanding debt balances are in agreement. Such practices will strengthen internal controls over liabilities and debt service and ensure that proper amounts are reported.

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings (Continued)

2018-002 The Treasurer Did Not Accurately Report Debt On The Quarterly Financial Statement (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding as well as the following one both relate to the bond sale for the jail construction. This was basically the result of confusion by the way these funds were held. As the treasurer at no time had these in an account she held or had direct control over it led this oversight. If in the future there is another project financed in a similar manner, she will have a better understanding of the process.

2018-003 The Fiscal Court Did Not Establish Adequate Controls Over The Jail Construction Fund

The fiscal court did not maintain adequate controls over the jail construction fund. No financial statement was prepared for the fund and no information regarding the activity in the fund was submitted to the fiscal court for review. The treasurer was unaware she had to prepare a financial statement for the jail construction fund. This fund is for reporting of debt financing for the fiscal court and not included on the quarterly report. By not preparing an annual financial statement, the fiscal court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in fraud, errors, or misstatements that go undetected. The fiscal court is financially accountable and legally obligated for the debt of the jail construction fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained and complete and accurate information is available for review. We recommend the county treasurer reconcile the account and prepare a financial statement for the jail construction fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: I take strong exception to this finding as I think its inaccurate and deceptive. While this is basically a continuation of the previous finding resulting in the way the funds for the Jail construction were held by US Bank from the bond sale and never directly by the county treasurer we still had control over their use and all the pay packets were approved by the court each month just as all other invoices are. As the bond sale resulted in the manner this was set up and we never had the option to personally set up our own account during this process its very unfair to insinuate the court failed to establish control. We controlled to our maximum ability what the process allowed.

Auditor's Reply: As noted in the county's response, the county had control over the funds even though they were held on account by the bond trustee. The assets belonged to the county and are required to be properly recorded and reported. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Office Policy Manual* states, "[p]roperly budgeted debt service. This budget section is to be utilized for reporting all current long-term debt, including public corporation bonds, general obligation bonds, Governmental Leasing Act issues, and Bond Anticipations notes." All debt should be included on the quarterly report in accordance with DLG's manual.

2018-004 Short-Term Borrowings Were Not In Compliance With KRS 65.117 Or KRS 65.7707

The fiscal court was not in compliance with KRS 65.117 or KRS 65.7707 in regard to short-term borrowings. On December 27, 2017, the fiscal court entered into a short-term note with a local bank for \$353,725 to fund the jail expansion project and did not notify the state local debt officer of the short-term borrowing. According to the county, they were not aware that the state local finance debt officer needed to be notified prior to short-term borrowings. The county was also unable to pay the debt back as of June 30, 2018, due to a lack of funds.

POWELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018
(Continued)

Section II: Financial Statement Findings (Continued)

2018-004 Short-Term Borrowings Were Not In Compliance With KRS 65.117 Or KRS 65.7707 (Continued)

According to KRS 65.117, "[n]o city, county, urban-county, consolidated local government, charter county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature... without first notifying the state local debt officer in writing." KRS 65.7707 states, "[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued." (emphasis added) We recommend the fiscal court comply with said statutes by making the proper written notifications and satisfying short-term debt obligations by fiscal year end.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was due to the new jail construction being delayed by contractor and the legal action against them to recoup lose not yet finished. Over half this debt is has already been paid. We are now aware this should have been handled differently and will be able to avoid such findings in the future.

Section III: Federal Award Findings And Questioned Costs

None

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2017-001	Interfund Payables Result In A Deficit For The Jail Fund	Partially Resolved	See corrective action for current year finding 2018-001.
2017-002	The Powell County Fiscal Court Has Weak Internal Controls Over Transfer Station Receipts	Resolved	

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

POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2018

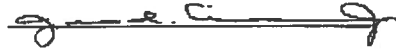
Appendix A

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2018

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