

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

**For The Year Ended
June 30, 2019**

**TEDDY MICHAEL PRATER CPA, PLLC
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CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT 1

POWELL COUNTY OFFICIALS 4

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS..... 6

NOTES TO FINANCIAL STATEMENT 10

BUDGETARY COMPARISON SCHEDULES..... 24

NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES 34

SCHEDULE OF CAPITAL ASSETS..... 37

NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS..... 38

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* 41

SCHEDULE OF FINDINGS AND RESPONSES..... 45

APPENDIX A:
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

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TEDDY MICHAEL PRATER CPA, PLLC
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To the People of Kentucky

The Honorable Andy Beshear, Governor
Holly M. Johnson, 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, 2019, and the related notes to the financial statement which collectively comprise the Powell County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Powell County Fiscal Court as of June 30, 2019, 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, 2019, 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 \$102,647 at June 30, 2019. The jail fund deficit was due 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 and Other 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 (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

The accompanying Budgetary Comparison Schedules 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 are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 Responses included herein, which discusses the following report findings:

- 2019-001 Interfund Payables Result In A Deficit For The Jail Fund
- 2019-002 The Fiscal Court Overspent The Road Fund Budget

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

December 5, 2019

POWELL COUNTY OFFICIALS

For The Year Ended June 30, 2019

Fiscal Court Members:

James Anderson, Jr.	County Judge/Executive
Chad Patton	Magistrate
Dennis Combs	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	Finance Officer / Payroll Clerk

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	LGEA Fund
RECEIPTS				
Taxes	\$ 2,415,744	\$	\$	\$
In Lieu Tax Payments	28,021	28,281		
Excess Fees	50,003			
Licenses and Permits				
Intergovernmental	182,194	1,431,943	2,768,531	200,635
Charges for Services	255,498		27,121	
Miscellaneous	699,610	202,041	142,882	248
Interest	6,942	6,326	152	3,010
Total Receipts	<u>3,638,012</u>	<u>1,668,591</u>	<u>2,938,686</u>	<u>203,893</u>
DISBURSEMENTS				
General Government	1,254,805			16,734
Protection to Persons and Property	9,713		1,883,162	62,440
General Health and Sanitation	525,575		198,772	
Social Services	20,000			9,000
Recreation and Culture	131,867			6,000
Transportation Facilities and Services		5,452		
Roads		1,931,518		146,081
Airports				15,642
Debt Service	52,150	143,612	218,091	
Capital Projects				
Administration	542,192	159,979	448,606	12,287
Total Disbursements	<u>2,536,302</u>	<u>2,240,561</u>	<u>2,748,631</u>	<u>268,184</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,101,710</u>	<u>(571,970)</u>	<u>190,055</u>	<u>(64,291)</u>
Other Adjustments to Cash (Uses)				
Financing Obligations Proceeds		141,922		
Transfers From Other Funds	16,158		225,500	
Transfers To Other Funds	(725,290)		(438,275)	
Total Other Adjustments to Cash (Uses)	<u>(709,132)</u>	<u>141,922</u>	<u>(212,775)</u>	
Net Change in Fund Balance	392,578	(430,048)	(22,720)	(64,291)
Fund Balance - Beginning (Restated)	440,057	738,169	173,101	355,980
Fund Balance - Ending	<u>\$ 832,635</u>	<u>\$ 308,121</u>	<u>\$ 150,381</u>	<u>\$ 291,689</u>
Composition of Fund Balance				
Bank Balance	\$ 845,053	\$ 317,690	\$ 181,431	\$ 292,212
Less: Outstanding Checks	(12,418)	(9,569)	(31,050)	(523)
Fund Balance - Ending	<u>\$ 832,635</u>	<u>\$ 308,121</u>	<u>\$ 150,381</u>	<u>\$ 291,689</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, 2019
(Continued)

Budgeted Funds					
CSEPP Fund	Ambulance Fund	Forest Fire Fund	Grants Fund	Alcohol Beverage Control Fund	Dispatch Fund
\$	\$	\$ 1,124	\$	\$	\$ 102,134
447,785	10,000		14,656	55,874	148,088
	858,951				
	61,552				
	17		28		7
<u>447,785</u>	<u>930,520</u>	<u>1,124</u>	<u>14,684</u>	<u>55,874</u>	<u>250,229</u>
445,709	922,462	1,524	31,045	40,965	329,578
	261,038		5,327	3,738	115,173
<u>445,709</u>	<u>1,183,500</u>	<u>1,524</u>	<u>36,372</u>	<u>44,703</u>	<u>444,751</u>
2,076	(252,980)	(400)	(21,688)	11,171	(194,522)
	264,395	610	19,285	13,000	202,500
(16,158)					
<u>(16,158)</u>	<u>264,395</u>	<u>610</u>	<u>19,285</u>	<u>13,000</u>	<u>202,500</u>
(14,082)	11,415	210	(2,403)	24,171	7,978
181,324	11,127	297	56,986		1,052
<u>\$ 167,242</u>	<u>\$ 22,542</u>	<u>\$ 507</u>	<u>\$ 54,583</u>	<u>\$ 24,171</u>	<u>\$ 9,030</u>
\$ 171,833	\$ 29,766	\$ 507	\$ 54,583	\$ 24,389	\$ 11,251
(4,591)	(7,224)			(218)	(2,221)
<u>\$ 167,242</u>	<u>\$ 22,542</u>	<u>\$ 507</u>	<u>\$ 54,583</u>	<u>\$ 24,171</u>	<u>\$ 9,030</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, 2019
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>CDBG Fund</u>	<u>Jail Commissary Fund</u>	<u>Jail Construction Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 2,519,002
In Lieu Tax Payments				56,302
Excess Fees				50,003
Licenses and Permits				55,874
Intergovernmental				5,203,832
Charges for Services				1,141,570
Miscellaneous		71,395		1,177,728
Interest		8	2,425	18,915
Total Receipts		<u>71,403</u>	<u>2,425</u>	<u>10,223,226</u>
DISBURSEMENTS				
General Government				1,312,504
Protection to Persons and Property				3,685,633
General Health and Sanitation				724,347
Social Services				29,000
Recreation and Culture		81,120		218,987
Transportation Facilities and Services				5,452
Roads				2,077,599
Airports				15,642
Debt Service			441,950	855,803
Capital Projects			32,828	32,828
Administration				1,548,340
Total Disbursements		<u>81,120</u>	<u>474,778</u>	<u>10,506,135</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(9,717)</u>	<u>(472,353)</u>	<u>(282,909)</u>
Other Adjustments to Cash (Uses)				
Financing Obligations Proceeds				141,922
Transfers From Other Funds			438,275	1,179,723
Transfers To Other Funds				<u>(1,179,723)</u>
Total Other Adjustments to Cash (Uses)			<u>438,275</u>	<u>141,922</u>
Net Change in Fund Balance		(9,717)	(34,078)	(140,987)
Fund Balance - Beginning (Restated)	10,150	31,764	193,521	2,193,528
Fund Balance - Ending	<u>\$ 10,150</u>	<u>\$ 22,047</u>	<u>\$ 159,443</u>	<u>\$ 2,052,541</u>
Composition of Fund Balance				
Bank Balance	\$ 10,150	\$ 22,047	\$ 159,443	\$ 2,120,355
Less: Outstanding Checks				<u>(67,814)</u>
Fund Balance - Ending	<u>\$ 10,150</u>	<u>\$ 22,047</u>	<u>\$ 159,443</u>	<u>\$ 2,052,541</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS.....	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	AGENCY TRUST FUNDS	14
NOTE 5.	SHORT-TERM DEBT	15
NOTE 6.	LONG-TERM DEBT.....	16
NOTE 7.	CONTINGENCIES	18
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 9.	DEFERRED COMPENSATION	20
NOTE 10.	INSURANCE.....	21
NOTE 11.	PAYROLL REVOLVING ACCOUNT	21
NOTE 12.	FUND BALANCE - DEFICIT	21
NOTE 13.	PRIOR PERIOD ADJUSTMENTS	21

**POWELL COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

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, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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.

Alcohol Beverage Control (ABC) Fund - The primary purpose of this fund is to account for receipts and disbursements related to the sale of alcoholic beverages.

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:

CDBG 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.

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. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 CDBG fund, with no disbursements or expected activity, was not included in the budget.

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

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Jail Fund	CSEPP Fund	Total Transfers In
General Fund	\$	\$	\$ 16,158	\$ 16,158
Jail Fund	225,500			225,500
Ambulance Fund	264,395			264,395
Forest Fire Fund	610			610
Grants Fund	19,285			19,285
ABC Fund	13,000			13,000
Dispatch Fund	202,500			202,500
Jail Construction Fund		438,275		438,275
Total Transfers Out	<u>\$ 725,290</u>	<u>\$ 438,275</u>	<u>\$ 16,158</u>	<u>\$ 1,179,723</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.

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, 2019 was \$40,027.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Short-term Debt

A. 2015 Promissory Note

On June 5, 2015, the 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 was extended each June 30 for the unpaid balance. The promissory note was paid in full as of June 30, 2019.

B. 2017 KACoLT Truck Lease

On October 30, 2017, the 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 required monthly interest payments and one principal payment on April 20, 2019. The lease was paid in full as of June 30, 2019.

C. 2017 Promissory Note

On December 27, 2017, the fiscal court entered into a promissory note with a local bank, in the amount of \$353,725, to pay debt service related to the KACoFC Revenue Bonds, 2016 First Series B. The original note matured December 27, 2018, and was extended to December 31, 2019. The principal balance outstanding as of June 30, 2019 is \$164,324.

D. 2018 KACoLT Truck Lease

On December 6, 2018, the fiscal court entered into a lease agreement, in the amount of \$141,922, 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, 2020. The principal balance outstanding as of June 30, 2019 is \$141,922.

E. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 516,045	\$ 141,922	\$ 351,721	\$ 306,246	\$ 306,246
Total Short-term Debt	<u>\$ 516,045</u>	<u>\$ 141,922</u>	<u>\$ 351,721</u>	<u>\$ 306,246</u>	<u>\$ 306,246</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Long-term Debt

A. KACoFC Revenue Bonds, 2016 First Series B

On May 18, 2016, the 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. The financing agreement requires annual principal payments and semiannual interest payments ending December 20, 2035. As of June 30, 2019, the principal balance outstanding is \$5,830,000. Future principal and interest payment requirements are:

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 255,000	\$ 200,800
2021	260,000	192,437
2022	270,000	182,488
2023	280,000	170,812
2024	295,000	158,613
2025-2029	1,655,000	606,613
2030-2034	1,945,000	308,150
2035-2038	<u>870,000</u>	<u>30,425</u>
Totals	<u>\$ 5,830,000</u>	<u>\$ 1,850,338</u>

B. KACoFC Revenue Bonds, 2017 First Series E

On November 15, 2017, the fiscal court entered into a \$370,000 financing agreement related to the issuance of Kentucky Association of Counties Finance Corporation (KACoFC) Financing Program Revenue Bonds, 2017 First Series E for the purchase of land. The financing agreement requires annual principal payments and semiannual interest payments ending December 20, 2037. As of June 30, 2019, the principal balance outstanding is \$360,000. Future principal and interest payment requirements are:

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 10,000	\$ 15,514
2021	15,000	14,864
2022	15,000	14,076
2023	15,000	13,289
2024	15,000	12,501
2025-2029	85,000	50,281
2030-2034	105,000	29,395
2035-2038	<u>100,000</u>	<u>8,678</u>
Totals	<u>\$ 360,000</u>	<u>\$ 158,598</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Long-term Debt (Continued)

C. Promissory Note

On August 7, 2018, the fiscal court entered into a promissory note with a local bank, in the amount of \$40,167, for the purchase of a fire truck. Five annual payments are to be made, beginning August 2019 and ending August 2023. As of June 30, 2019, the principal balance outstanding is \$40,167. Future principal and interest payment requirements are:

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 7,415	\$ 1,610
2021	7,712	1,313
2022	8,021	1,003
2023	8,342	682
2024	<u>8,677</u>	<u>348</u>
Totals	<u>\$ 40,167</u>	<u>\$ 4,956</u>

D. Equipment Lease/Purchase

On March 12, 2019, the fiscal court entered into a lease purchase agreement for a case loader backhoe. Monthly payments are to be made, beginning April 2019 and ending March 2024. As of June 30, 2019, the principal balance outstanding is \$86,763. Future principal and interest payment requirements are:

Fiscal Year Ending June 30	Principal	Interest
2020	\$ 16,797	\$ 3,398
2021	17,549	2,646
2022	18,335	1,860
2023	19,155	1,039
2024	<u>14,927</u>	<u>219</u>
Totals	<u>\$ 86,763</u>	<u>\$ 9,162</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
*Financing Obligations	<u>\$ 6,445,000</u>	<u>\$ 130,685</u>	<u>\$ 258,755</u>	<u>\$ 6,316,930</u>	<u>\$ 289,212</u>
Total Long-term Debt	<u>\$ 6,445,000</u>	<u>\$ 130,685</u>	<u>\$ 258,755</u>	<u>\$ 6,316,930</u>	<u>\$ 289,212</u>

*The fiscal court's financing agreements with KACoFC have been reclassified as financing obligations.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

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 2017 was \$453,190, FY 2018 was \$502,224, and FY 2019 was \$536,035.

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 21.48 percent.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 8. Employee Retirement System (Continued)

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%

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

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, they 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 percent. 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 percent 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.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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 percent. 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.

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 allows 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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2019, 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 a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Payroll Revolving Account

The reconciled balance of the payroll revolving account, as of June 30, 2019, was a trivial amount. Therefore, the payroll revolving account will not be included in the general fund for financial reporting purposes. The beginning balance of the general fund has been decreased for the \$18,568 reconciled balance of the payroll revolving account at June 30, 2018.

Note 12. Fund Balance - Deficit

As of June 30, 2019, the jail fund had a deficit balance of \$102,647. The jail fund deficit was due 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	\$	150,381
Interfund Payables		<u>(253,028)</u>
Fund Balance	\$	<u><u>(102,647)</u></u>

Note 13. Prior Period Adjustments

The beginning balances of the following funds were increased, by the respective amounts, for prior year voided checks:

General Fund	\$	18,417
Road Fund		14
Jail Fund		120
LGEA Fund		1,388
Ambulance Fund		1,897
Dispatch Fund		<u>1,044</u>
Total	\$	<u><u>22,880</u></u>

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

For The Year Ended June 30, 2019

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,173,400	\$ 2,173,400	\$ 2,415,744	\$ 242,344
In Lieu Tax Payments	20,000	20,000	28,021	8,021
Excess Fees	4,000	4,000	50,003	46,003
Intergovernmental	159,250	159,250	156,082	(3,168)
Charges for Services	110,500	278,350	255,498	(22,852)
Miscellaneous	775,873	775,873	699,610	(76,263)
Interest	500	500	6,942	6,442
Total Receipts	<u>3,243,523</u>	<u>3,411,373</u>	<u>3,611,900</u>	<u>200,527</u>
DISBURSEMENTS				
General Government	1,341,583	1,425,198	1,254,805	170,393
Protection to Persons and Property	9,900	12,613	9,713	2,900
General Health and Sanitation	346,254	594,699	525,575	69,124
Social Services	20,000	20,000	20,000	
Recreation and Culture	121,521	137,657	131,867	5,790
Debt Service	35,000	35,000	26,038	8,962
Administration	930,602	917,543	542,192	375,351
Total Disbursements	<u>2,804,860</u>	<u>3,142,710</u>	<u>2,510,190</u>	<u>632,520</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>438,663</u>	<u>268,663</u>	<u>1,101,710</u>	<u>833,047</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	158,240	158,240	16,158	(142,082)
Transfers To Other Funds	<u>(846,903)</u>	<u>(846,903)</u>	<u>(725,290)</u>	<u>121,613</u>
Total Other Adjustments to Cash (Uses)	<u>(688,663)</u>	<u>(688,663)</u>	<u>(709,132)</u>	<u>(20,469)</u>
Net Change in Fund Balance	(250,000)	(420,000)	392,578	812,578
Fund Balance - Beginning (Restated)	<u>250,000</u>	<u>420,000</u>	<u>440,057</u>	<u>20,057</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 832,635</u>	<u>\$ 832,635</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

ROAD FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 40,000	\$ 40,000	\$ 28,281	\$ (11,719)
Intergovernmental	1,374,182	1,383,085	1,431,943	48,858
Miscellaneous	66,000	234,860	202,041	(32,819)
Interest	500	500	6,326	5,826
Total Receipts	<u>1,480,682</u>	<u>1,658,445</u>	<u>1,668,591</u>	<u>10,146</u>
DISBURSEMENTS				
Transportation Facilities and Services	10,000	10,000	5,452	4,548
Roads	1,399,950	1,862,974	1,931,518	(68,544)
Debt Service	4,500	143,612	143,612	
Administration	391,021	200,817	159,979	40,838
	<u>1,805,471</u>	<u>2,217,403</u>	<u>2,240,561</u>	<u>(23,158)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(324,789)</u>	<u>(558,958)</u>	<u>(571,970)</u>	<u>(13,012)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			141,922	141,922
Transfers To Other Funds	<u>(158,240)</u>	<u>(158,240)</u>		<u>158,240</u>
Total Other Adjustments to Cash (Uses)	<u>(158,240)</u>	<u>(158,240)</u>	<u>141,922</u>	<u>300,162</u>
Net Change in Fund Balance	(483,029)	(717,198)	(430,048)	287,150
Fund Balance - Beginning (Restated)	<u>483,029</u>	<u>733,029</u>	<u>738,169</u>	<u>5,140</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 15,831</u>	<u>\$ 308,121</u>	<u>\$ 292,290</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

JAIL FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,850,600	\$ 2,850,600	\$ 2,768,531	\$ (82,069)
Charges for Services	42,800	42,800	27,121	(15,679)
Miscellaneous	61,000	61,000	142,882	81,882
Interest	100	100	152	52
Total Receipts	<u>2,954,500</u>	<u>2,954,500</u>	<u>2,938,686</u>	<u>(15,814)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,725,550	1,935,335	1,883,162	52,173
General Health and Sanitation	193,800	246,482	198,772	47,710
Debt Service	811,825	291,550	218,091	73,459
Administration	613,226	570,590	448,606	121,984
Total Disbursements	<u>3,344,401</u>	<u>3,043,957</u>	<u>2,748,631</u>	<u>295,326</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(389,901)</u>	<u>(89,457)</u>	<u>190,055</u>	<u>279,512</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	339,901	339,901	225,500	(114,401)
Transfers To Other Funds		(438,275)	(438,275)	
Total Other Adjustments to Cash (Uses)	<u>339,901</u>	<u>(98,374)</u>	<u>(212,775)</u>	<u>(114,401)</u>
Net Change in Fund Balance	(50,000)	(187,831)	(22,720)	165,111
Fund Balance - Beginning (Restated)	<u>50,000</u>	<u>172,000</u>	<u>173,101</u>	<u>1,101</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (15,831)</u>	<u>\$ 150,381</u>	<u>\$ 166,212</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 115,900	\$ 115,900	\$ 200,635	\$ 84,735
Miscellaneous	1,000	1,000	248	(752)
Interest	1,000	1,000	3,010	2,010
Total Receipts	<u>117,900</u>	<u>117,900</u>	<u>203,893</u>	<u>85,993</u>
DISBURSEMENTS				
General Government	18,407	18,407	16,734	1,673
Protection to Persons and Property	76,500	85,735	62,440	23,295
Social Services	9,000	9,000	9,000	
Recreation and Culture	6,000	6,000	6,000	
Roads	160,000	157,949	146,081	11,868
Airports	6,000	15,642	15,642	
Administration	125,193	108,367	12,287	96,080
Total Disbursements	<u>401,100</u>	<u>401,100</u>	<u>268,184</u>	<u>132,916</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(283,200)</u>	<u>(283,200)</u>	<u>(64,291)</u>	<u>218,909</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000		(10,000)
Total Other Adjustments to Cash (Uses)	<u>10,000</u>	<u>10,000</u>		<u>(10,000)</u>
Net Change in Fund Balance	(273,200)	(273,200)	(64,291)	208,909
Fund Balance - Beginning (Restated)	<u>273,200</u>	<u>273,200</u>	<u>355,980</u>	<u>82,780</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 291,689</u>	<u>\$ 291,689</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	CSEPP			
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 497,685	\$ 497,685	\$ 447,785	\$ (49,900)
Total Receipts	<u>497,685</u>	<u>497,685</u>	<u>447,785</u>	<u>(49,900)</u>
DISBURSEMENTS				
Protection to Persons and Property	497,685	545,442	445,709	99,733
Administration	25,000	127,243		127,243
Total Disbursements	<u>522,685</u>	<u>672,685</u>	<u>445,709</u>	<u>226,976</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(175,000)</u>	<u>2,076</u>	<u>177,076</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(16,158)	(16,158)
Total Other Adjustments to Cash (Uses)			<u>(16,158)</u>	<u>(16,158)</u>
Net Change in Fund Balance	(25,000)	(175,000)	(14,082)	160,918
Fund Balance - Beginning	25,000	175,000	181,324	6,324
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 167,242</u>	<u>\$ 167,242</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

AMBULANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 10,000	\$ (20,000)
Charges for Services	896,500	896,500	858,951	(37,549)
Miscellaneous	5,000	38,944	61,552	22,608
Interest	100	100	17	(83)
Total Receipts	931,600	965,544	930,520	(35,024)
DISBURSEMENTS				
Protection to Persons and Property	883,450	945,697	922,462	23,235
Administration	357,685	329,382	261,038	68,344
Total Disbursements	1,241,135	1,275,079	1,183,500	91,579
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(309,535)	(309,535)	(252,980)	56,555
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	287,535	287,535	264,395	(23,140)
Total Other Adjustments to Cash (Uses)	287,535	287,535	264,395	(23,140)
Net Change in Fund Balance	(22,000)	(22,000)	11,415	33,415
Fund Balance - Beginning (Restated)	22,000	22,000	11,127	(10,873)
Fund Balance - Ending	\$ 0	\$ 0	\$ 22,542	\$ 22,542

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

FOREST FIRE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,150	\$ 1,150	\$ 1,124	\$ (26)
Total Receipts	<u>1,150</u>	<u>1,150</u>	<u>1,124</u>	<u>(26)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,550	1,550	1,524	26
Total Disbursements	<u>1,550</u>	<u>1,550</u>	<u>1,524</u>	<u>26</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(400)</u>	<u>(400)</u>	<u>(400)</u>	
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			610	610
Total Other Adjustments to Cash (Uses)			<u>610</u>	<u>610</u>
Net Change in Fund Balance	(400)	(400)	210	610
Fund Balance - Beginning	400	400	297	(103)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 507</u>	<u>\$ 507</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

GRANTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 14,656	\$ (344)
Interest	60	60	28	(32)
Total Receipts	<u>15,060</u>	<u>15,060</u>	<u>14,684</u>	<u>(376)</u>
DISBURSEMENTS				
Protection to Persons and Property	54,412	54,412	31,045	23,367
Recreation and Culture	39,188	39,188		39,188
Administration	7,340	7,340	5,327	2,013
Total Disbursements	<u>100,940</u>	<u>100,940</u>	<u>36,372</u>	<u>64,568</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(85,880)</u>	<u>(85,880)</u>	<u>(21,688)</u>	<u>64,192</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	39,006	39,006	19,285	(19,721)
Total Other Adjustments to Cash (Uses)	<u>39,006</u>	<u>39,006</u>	<u>19,285</u>	<u>(19,721)</u>
Net Change in Fund Balance	(46,874)	(46,874)	(2,403)	44,471
Fund Balance - Beginning	46,874	46,874	56,986	10,112
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,583</u>	<u>\$ 54,583</u>

POWELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

ALCOHOL BEVERAGE CONTROL FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$	\$ 47,000	\$ 55,874	\$ 8,874
Total Receipts		47,000	55,874	8,874
DISBURSEMENTS				
General Government		42,593	40,965	1,628
Administration		4,407	3,738	669
Total Disbursements		47,000	44,703	2,297
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			11,171	11,171
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			13,000	13,000
Total Other Adjustments to Cash (Uses)			13,000	13,000
Net Change in Fund Balance			24,171	24,171
Fund Balance - Beginning				
Fund Balance - Ending	\$	\$ 0	\$ 24,171	\$ 24,171

POWELL COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Supplementary Information - Regulatory Basis
 For The Year Ended June 30, 2019
 (Continued)

DISPATCH FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 132,000	\$ 132,000	\$ 102,134	\$ (29,866)
Intergovernmental	153,000	153,000	148,088	(4,912)
Interest	20	20	7	(13)
Total Receipts	<u>285,020</u>	<u>285,020</u>	<u>250,229</u>	<u>(34,791)</u>
DISBURSEMENTS				
Protection to Persons and Property	329,055	338,060	329,578	8,482
Administration	126,426	117,421	115,173	2,248
Total Disbursements	<u>455,481</u>	<u>455,481</u>	<u>444,751</u>	<u>10,730</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(170,461)</u>	<u>(170,461)</u>	<u>(194,522)</u>	<u>(24,061)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	170,461	170,461	202,500	32,039
Total Other Adjustments to Cash (Uses)	<u>170,461</u>	<u>170,461</u>	<u>202,500</u>	<u>32,039</u>
Net Change in Fund Balance			7,978	7,978
Fund Balance - Beginning (Restated)			<u>1,052</u>	<u>1,052</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,030</u>	<u>\$ 9,030</u>

POWELL COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the general fund for intergovernmental receipts and debt service by \$26,112 due to payments by the sheriff's office directly to the bank for debt service on a promissory note.

Note 3. Excess of Disbursements Over Appropriations

Road fund roads disbursements exceeded budgeted appropriations by \$68,544. And the total road fund disbursements exceeded budgeted appropriations by \$23,158. The fiscal court did not budget or amend the road fund budget for the \$141,922 lease proceeds and related disbursement.

**POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2019

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**POWELL COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,236,466	\$	\$	\$ 1,236,466
Construction In Progress*	5,685,446	32,828	5,718,274	
Buildings	7,862,313	5,718,274		13,580,587
Vehicles and Equipment*	4,675,412	342,351	299,962	4,717,801
Infrastructure	5,489,753	1,048,446		6,538,199
Total Capital Assets	\$24,949,390	\$ 7,141,899	\$ 6,018,236	\$26,073,053

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

June 30, 2019

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. Beginning Balance Restatement

The beginning balance of construction in progress was decreased by \$490,000 and the beginning balance of vehicles and equipment was increased by \$132,315 due to restatements from the prior year.

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

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

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Powell County Fiscal Court for the fiscal year ended June 30, 2019, 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 December 5, 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 2019-001 and 2019-002.

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 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

December 5, 2019

**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

STATE LAWS AND REGULATIONS:

2019-001 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 2018-001.

The fiscal court had a deficit fund balance of \$102,647 in the jail fund at June 30, 2019.

Cash Balance	\$	150,381
Interfund Payables		<u>(253,028)</u>
Fund Balance	\$	<u>(102,647)</u>

The jail fund deficit was due to prior period transfers of restricted funds that have not been repaid. In the past, the fiscal court transferred restricted money from the road fund to the jail fund.

<u>Due From</u>	<u>Due To</u>	<u>6/30/2018 Balance</u>	<u>Increase/ (Decrease)</u>	<u>6/30/2019 Balance</u>
Jail	Road	<u>\$ 253,028</u>	<u>\$ 0</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 liability be repaid as money becomes available.

Views of Responsible Official and Planned Corrective Action:

This is a finding that existed prior to this administration or that of the current jailer. As stated in previous response, this finding was researched by previous auditors and they after tracing it back for several decades finally gave up on finding when it occurred. If the jail ever reaches the black, we will start to repay the money owed.

POWELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

STATE LAWS AND REGULATIONS (Continued):

2019-002 The Fiscal Court Overspent The Road Fund Budget

The fiscal court did not budget or amend the road fund budget for KACoLT lease proceeds and the related disbursement in fiscal year 2019. Lease proceeds, in the amount of \$141,922, were paid directly to the vendor for the purchase of a mack truck. The financing obligation proceeds and their disbursement were not included in the county financial statements in the road fund. The county treasurer was not aware that she needed to budget for or record these activities since she did not directly receive these funds.

By not including these items in the budget, the road fund budgetary comparison schedule reflects that the fiscal court overspent the roads line item by \$68,544. And the total road fund disbursements exceeded budgeted appropriations by \$23,158.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* states all lease proceeds received and repaid must be reflected in the county budget.

We recommend the fiscal court budget and record all lease proceeds and any related purchases.

Views of Responsible Official and Planned Corrective Action:

The reason for this finding is mostly because of a procedural issue with the way the Mack truck lease was processed. The treasurer now understands how they want us to process these transactions and it will no longer be an issue. This was just a clerical type issue so is not one that causes me any concern.

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

POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2019


Appendix A

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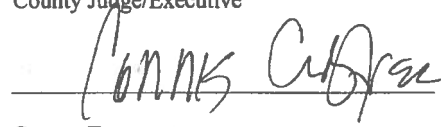
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
POWELL COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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