**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS**
**AUDIT EXAMINATION OF THE**
**METCALFE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 1999**

# EDWARD B. HATCHETT, JR.
# AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Don M. Butler II, Metcalfe County Judge/Executive
Honorable Richard M. Froedge, Former Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Metcalfe County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Metcalfe County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards, 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Metcalfe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

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The Commonwealth of Kentucky, 43rd Judicial Circuit, Metcalfe Circuit Court has issued indictment number 99-CR-00058 against former County Judge/Executive Richard M. Froedge. The grand jury charged that on or about November 18, 1998 and November 19, 1998, the defendant committed the crimes of theft by failure to make required disposition of property over $300 when he intentionally directed the use of the property of Metcalfe County, including county employees, gravel, trucks and other material or equipment to chip seal two private driveways. The value of the converted property was over $300. The grand jury also charged that the defendant committed the crime of failure to limit expenditures when he, as County Judge Executive of Metcalfe County, expended or encumbered more than 65% of budgeted county funds during the first half of the 1998-1999 fiscal year. The failure of the defendant to limit expenditures resulted in less than 35% of budgeted funds to remain as of January 1, 1999 at the change of the county administration. Former County Judge/Executive Richard M. Froedge signed the management representation letter. However, County Treasurer and County Judge/Executive, Don M. Butler II declined to sign the management representation letter for fiscal year ending June 30, 1999.

In our opinion, except for the effects of those items discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Metcalfe County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1999, in conformity with the cash basis of accounting described above.

While we were conducting our audit, a payment of $84,773 was made for rock and hot-mix that was not properly supported. When we conducted our exit conference with former County Judge/Executive Froedge, he explained that these records were there when he left office. Subsequently, he submitted copies of invoices and job tickets to support these expenditures. We have referred this matter to the Commonwealth's Attorney for Metcalfe County.

Our audit was performed for the purpose of forming an opinion on the financial statements of Metcalfe County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

- The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year
- The Fiscal Court Should Pay Invoices In A Timely Manner
- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger
- Accurate Accounting Records Should Be Maintained By The County

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Members of the Metcalfe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated January 5, 2000 on our consideration of Metcalfe County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 5, 2000

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# METCALFE COUNTY OFFICIALS

June 30, 1999

| | |
|---|---|
| Don M. Butler II | County Judge/Executive |
| John P. Blevins | County Attorney |
| Carol E. England | County Clerk |
| Mary M. Shive | Circuit Court Clerk |
| Rondal Shirley | Sheriff |
| Tim Edwards | Jailer |
| Michael Welsh | Property Valuation Administrator |
| Martha C. Richardson | County Treasurer |
| Larry Wilson | Coroner |
| Jessie L. Harper | Magistrate |
| Barry Steele | Magistrate |
| Ervin Blythe | Magistrate |
| Greg White | Magistrate |

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

METCALFE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1999

Assets

| | |
|---|---|
| General Fund: | |
| Cash | $ 25,023 |
| Road and Bridge Fund: | |
| Cash | 121,207 |
| Jail Fund: | |
| Cash | 16,987 |
| Local Government Economic Assistance Fund: | |
| Cash | 3,965 |
| Ambulance Fund: | |
| Cash | 58,792 |
| Investments | 113,662 |
| County Parks Fund: | |
| Cash | 81,936 |
| Disaster and Emergency Services Fund: | |
| Cash | 2,141 |
| Animal Shelter Fund: | |
| Cash | 1,580 |
| Courthouse Fund: | |
| Cash | 56 |
| Payroll Revolving Account: | |
| Cash | 1,704 |
| Total Assets | $ 427,053 |

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

METCALFE COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 1999
(Continued)

Liabilities and Fund Balances

Liabilities

| | |
|---|---|
| General Fund: | |
| Payments Due To Others (Note 4) | $ 9,927 |
| Road Fund: | |
| Payments Due To Others (Note 4) | 38,581 |
| Jail Fund: | |
| Payments Due To Others (Note 4) | 7,091 |
| Payroll Revolving Account | 1,704 |

Fund Balances

| | |
|---|---|
| Reserved: | |
| Animal Shelter Fund | 1,580 |
| Unreserved: | |
| General Fund | 15,096 |
| Road and Bridge Fund | 82,626 |
| Jail Fund | 9,896 |
| Local Government Economic Assistance Fund | 3,965 |
| Ambulance Fund | 172,454 |
| County Parks Fund | 81,936 |
| Disaster and Emergency Services Fund | 2,141 |
| Courthouse Fund | 56 |
| Total Liabilities and Fund Balances | $ 427,053 |

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

METCALFE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1999

| Cash Receipts | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|---|
| Schedule of Operating Revenue | $ 1,788,453 | $ 579,245 | $ 946,825 | $ 34,735 |
| Transfers In | 110,037 | 25,000 | | 67,530 |
| Animal Shelter Receipts | 11 | | | |
| Courthouse Vending Receipts | 526 | | | |
| Voided Checks | 42 | 26 | 16 | |
| Total Cash Receipts | $ 1,899,069 | $ 604,271 | $ 946,841 | $ 102,265 |
| **Cash Disbursements** | | | | |
| Comparative Schedule of Final Budget and Budgeted Expenditures | $ 1,762,028 | $ 561,370 | $ 946,044 | $ 94,199 |
| Schedule of Unbudgeted Expenditures | 709 | | | |
| Transfers Out | 110,037 | 85,037 | | |
| Total Cash Disbursements | $ 1,872,774 | $ 646,407 | $ 946,044 | $ 94,199 |
| Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements | $ 26,295 | $ (42,136) | $ 797 | $ 8,066 |
| Cash Balance - July 1, 1998* | 399,054 | 67,159 | 120,410 | 8,921 |
| Cash Balance - June 30, 1999* | $ 425,349 | $ 25,023 | $ 121,207 | $ 16,987 |

* Cash Balance Includes Investments

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

METCALFE COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1999
(Continued)

| Local Government Economic Assistance Fund | Ambulance Fund | Parks Fund | Disaster Emergency Service Fund | Animal Shelter Fund | Courthouse Fund |
|---|---|---|---|---|---|
| $ 5,359 | $ 65,259 | $ 151,764 | $ 5,266 | $ | $ |
| | | 10,300 | 7,207 | | |
| | | | | 11 | |
| | | | | | 526 |
| $ 5,359 | $ 65,259 | $ 162,064 | $ 12,473 | $ 11 | $ 526 |
| $ 4,800 | $ 63,602 | $ 80,549 | $ 11,464 | $ | $ |
| | | | | | 709 |
| | 25,000 | | | | |
| $ 4,800 | $ 88,602 | $ 80,549 | $ 11,464 | $ 0 | $ 709 |
| $ 559 | $ (23,343) | $ 81,515 | $ 1,009 | $ 11 | $ (183) |
| 3,406 | 195,797 | 421 | 1,132 | 1,569 | 239 |
| $ 3,965 | $ 172,454 | $ 81,936 | $ 2,141 | $ 1,580 | $ 56 |

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Metcalfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Metcalfe County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

Note 1. (Continued)

E. Cash and Investments (Continued)

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

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

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.

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

Note 3. Deposits

The County maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount 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 of securities should be evidenced by an agreement 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. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. As of June 30, 1999, the bank balances were fully insured or collateralized with securities held by the county's agent in the county's name. However, as of July 23, 1998, the uncollateralized amount on deposit was $44,760. The pledged securities and FDIC insurance did not equal or exceed the amount on deposit. In addition, the written agreement with the depository institution expired on August 1, 1998 and no new agreement was entered into until July 6, 1999.

METCALFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999
(Continued)

Note 4. Payments Due To Others

During the course of our audit, we found that numerous invoices were not paid in a timely manner. We noted that some invoices are still unpaid as of the current date for obligations made during the fiscal year. KRS 65.140 states that all bills for goods or services shall be paid within thirty working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. We have adjusted the financial statement to reflect the unpaid obligations at year-end as follows:

| | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|
| Cash in Bank at June 30, 1999 | $ 25,023 | $ 121,207 | $ 16,987 |
| Unpaid Obligations at June 30, 1999 | (9,927) | (38,581) | (7,091) |
| June 30, 1999 Ending Balance | $ 15,096 | $ 82,626 | $ 9,896 |

Note 5. Economic Dependency

The County received $1,155,204 from the State of Kentucky and the federal government. This amount represents 64% of the County's aggregate receipts.

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

| Item Purchased | Monthly Payment | Term of Agreement | Ending Date | Principle Balance 06/30/99 |
|---|---|---|---|---|
| Voting Machines | Varies | 60 months | 06/01/00 | $ 12,748 |
| Road Equipment | Varies | 60 months | 07/01/00 | $ 24,626 |
| Road Equipment | Varies | 60 months | 02/01/01 | $ 51,145 |
| Road Equipment | Varies | 60 months | 12/20/02 | $ 18,664 |
| Fire Truck | Varies | 120 months | 03/20/06 | $ 50,362 |

Note 7. Related Party Transactions

During the fiscal year ended June 30, 1999, the fiscal court paid $2,400 to the Edmonton Rental Properties for rent on a storage facility for the Metcalfe County Clerk's Office. The Metcalfe County Attorney, John Paul Blevins, is a half owner in Edmonton Rental Properties. The facility is used to store electronic voting machines which require that the storage space be heated and within walking distance of the County Clerk's office. Also, the fiscal court paid $1,684 to Neal Froedge and $1,443 to Froedge Machine and Supply Co., Inc. for repairs to road equipment. Neal Froedge and the owner of Froedge Machine and Supply Co., Inc. are cousins to former County Judge/Executive Richard M. Froedge. None of these transactions appear to be in violation of the county's ethics code.

Note 8. Sub-Lease To Metcalfe Volunteer Fire Department

During fiscal year 1996, the County entered into a lease with the Kentucky Association of Counties' Leasing Trust for the financing of a fire truck. The County subsequently sub-leased this fire truck to the Metcalfe County Volunteer Fire Department. The County has the option to renew the lease with the Kentucky Association of Counties Leasing Trust on a fiscal year basis for ten years. The principal amount is $100,000, with a variable rate of interest initially set at 5.6%.

Note 9. Ambulance Service Joint Venture

Metcalfe County is involved in a joint venture with Barren County and the City of Glasgow to provide medical care service and transportation to the citizens of these three communities. A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The financial interest of each of the above parties is based on their relative populations.

Note 10. Insurance

For the fiscal year ended June 30, 1999, Metcalfe County was a member of the Kentucky Association of Counties' All Lines Insurance 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. Subsequent Events

On July 1, 1999 the Metcalfe County Fiscal Court, with approval from the Department for Local Government, entered into an agreement with Edmonton State Bank to borrow $100,000. The terms of the agreement are for a period of one year beginning July 1, 1999, with an interest rate of 5.85%. The fiscal court initially borrowed $50,000 on July 1, 1999 and will borrow the balance on an as needed basis.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1999

| Budgeted Funds | Budgeted Operating Revenue | Actual Operating Revenue | Over (Under) Budget |
|---|---|---|---|
| General Fund | $ 531,999 | $ 579,245 | $ 47,246 |
| Road and Bridge Fund | 932,081 | 946,825 | 14,744 |
| Jail Fund | 33,700 | 34,735 | 1,035 |
| Local Government Economic Assistance Fund | 4,722 | 5,359 | 637 |
| Ambulance Fund | 108,020 | 65,259 | (42,761) |
| County Parks Fund | 154,400 | 151,764 | (2,636) |
| Disaster and Emergency Services Fund | 6,228 | 5,266 | (962) |
| Totals | $ 1,771,150 | $ 1,788,453 | $ 17,303 |

Reconciliation

| | |
|---|---|
| Total Budgeted Operating Revenue Above | $ 1,771,150 |
| Add: Budgeted Prior Year Surplus | 399,013 |
| Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures | $ 2,170,163 |

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SCHEDULE OF OPERATING REVENUE

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1999

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|---|
| Revenue From Local Taxes and Excess Fees | | | | |
| Sheriff: | | | | |
| Taxes | $ 164,219 | $ 122,878 | $ | $ |
| County Clerk: | | | | |
| Deed Transfer Tax | 14,309 | 14,309 | | |
| Occupational Licenses | 257 | 257 | | |
| Delinquent Taxes | 2,872 | 1,871 | | |
| Garbage Permits | 114 | 114 | | |
| Excess Fees - 1997 | 1,180 | 1,180 | | |
| Tangible Personal Property Taxes: | | | | |
| County Clerk | 36,690 | 23,827 | | |
| Other Counties | 5,380 | 3,086 | | |
| Omitted Tangible Property Taxes | 316 | 277 | | |
| Occupational Employment Tax | 250,539 | 250,539 | | |
| Bank Franchise Tax | 17,073 | 17,073 | | |
| In Lieu of Taxes: | | | | |
| Tennessee Valley Authority | 33,578 | 33,578 | | |
| Totals | $ 526,527 | $ 468,989 | $ 0 | $ 0 |
| Federal Receipts - State Treasurer | | | | |
| Disaster and Emergency Assistance Grants - Coordinator Salary | $ 3,822 | $ | $ | $ |
| Federal Emergency Management Assistance Reimbursement- 1997 Flood Relief | 843 | | 843 | |
| Federal Emergency Management Assistance Reimbursement - Tornado | 301 | | 301 | |
| Federal Survey and Planning Grant- Kentucky Heritage Council | 3,200 | 3,200 | | |
| Totals | $ 8,166 | $ 3,200 | $ 1,144 | $ 0 |

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

| Local Government Economic Assistance Fund | Ambulance Fund | County Parks Fund | Disaster and Emergency Service Fund |
|---|---|---|---|
| $ | $ 41,341 | $ | $ |
| | 1,001 | | |
| | 12,863 | | |
| | 2,294 | | |
| | 39 | | |
| $ 0 | $ 57,538 | $ 0 | $ 0 |
| $ | $ | $ | $ 3,822 |
| $ 0 | $ 0 | $ 0 | $ 3,822 |

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|---|
| Kentucky State Treasurer | | | | |
| Jail: | | | | |
| Allotments | $ 24,000 | $ | $ | $ 24,000 |
| Medical Allotments | 2,223 | | | 2,223 |
| Driving Under The Influence Fees | 1,687 | | | 1,687 |
| Reimbursement - Housing Juvenile | 2,240 | | | 2,240 |
| County Road Aid | 763,122 | | 763,122 | |
| Truck License Distribution | 161,449 | | 161,449 | |
| Election Expense Reimbursement | 5,610 | 5,610 | | |
| Courthouse Rental - Administrative Office of the Courts | 9,894 | 9,894 | | |
| Courthouse Repairs - Administrative Office of the Courts | 8,929 | 8,929 | | |
| Delinquent Taxes | 2,450 | 1,646 | | |
| Refunds: | | | | |
| Legal Process Tax | 60 | 60 | | |
| Drivers Licenses | 933 | | 933 | |
| State Refunds: | | | | |
| Retirement | 2,315 | 2,245 | 70 | |
| Workmen's Compensation | 3,507 | 3,507 | | |
| Severance Taxes: | | | | |
| Mineral | 5,359 | | | |
| Board of Assessments | 200 | 200 | | |
| State Grants: | | | | |
| Surplus Spending Project- Metcalfe County Park Improvements | 150,000 | | | |
| Disaster and Emergency Assistance Grant - Coordinator Salary | 1,444 | | | |
| Federal Emergency Management Assistance Reimbursement- 1997 Flood Relief | 1,201 | | 1,201 | |
| Federal Emergency Management Assistance Reimbursement- Tornado | 415 | | 415 | |
| Totals | $ 1,147,038 | $ 32,091 | $ 927,190 | $ 30,150 |

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

| Local Government Economic Assistance Fund | Ambulance Fund | County Parks Fund | Disaster and Emergency Service Fund |
|---|---|---|---|
| $ | $ | $ | $ |
| | 804 | | |
| 5,359 | | | |
| | | 150,000 | |
| | | | 1,444 |
| $ 5,359 | $ 804 | $ 150,000 | $ 1,444 |

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

| | Totals (Memorandum Only) | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|---|
| Miscellaneous Revenue | | | | |
| Interest | $ 24,806 | $ 1,358 | $ 16,531 | $ |
| Circuit Court Clerk: | | | | |
| Jail Cost | 4,275 | | | 4,275 |
| Licenses and Permits: | | | | |
| Cable TV Franchise | 2,858 | 2,858 | | |
| Charges for Services: | | | | |
| Telephone Surcharge | 47,873 | 47,873 | | |
| Fire Truck Lease Reimbursement | 20,443 | 20,443 | | |
| Donations | 1,593 | | | |
| Miscellaneous Items | 4,874 | 2,433 | 1,960 | 310 |
| Totals | $ 106,722 | $ 74,965 | $ 18,491 | $ 4,585 |
| Total Operating Revenue | $ 1,788,453 | $ 579,245 | $ 946,825 | $ 34,735 |

METCALFE COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1999
(Continued)

| Local Government Economic Assistance Fund | Ambulance Fund | County Parks Fund | Disaster and Emergency Service Fund |
|---|---|---|---|
| | | | |
| $ | $ 6,917 | $ | $ |
| | | 1,593 | |
| | | 171 | |
| $ 0 | $ 6,917 | $ 1,764 | $ 0 |
| $ 5,359 | $ 65,259 | $ 151,764 | $ 5,266 |

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| GENERAL FUND | | | |
| General Government | | | |
| Office of County Judge/Executive: | | | |
| Salaries- | | | |
| County Judge/Executive | $ 51,212 | $ 44,666 | $ 6,546 |
| Secretaries | 8,741 | 8,741 | |
| Finance Officer | 8,237 | 7,006 | 1,231 |
| New Office Equipment | 5,473 | 5,473 | |
| Association Due | 660 | 660 | |
| Travel | 1,500 | 1,217 | 283 |
| Office of County Attorney: | | | |
| Salaries- | | | |
| County Attorney | 16,800 | 15,400 | 1,400 |
| Secretary | 3,700 | 3,392 | 308 |
| Office of County Clerk: | | | |
| County Clerk Salary | 1,500 | 1,375 | 125 |
| Tax Bill Preparation | 855 | 855 | |
| Office of Sheriff: | | | |
| Sheriff's Settlement | 741 | 741 | |
| Postage for Tax Bills | 2,196 | 2,196 | |
| Office of County Coroner: | | | |
| Travel | 1,360 | 1,360 | |
| Fiscal Court: | | | |
| Magistrates Salaries- | 27,600 | 25,300 | 2,300 |
| Chamber of Commerce | 3,500 | 3,500 | |
| Advertising | 5,225 | 4,825 | 400 |
| Custodial Supplies | 1,065 | 972 | 93 |
| Office Supplies | 19,680 | 19,573 | 107 |
| Telephone | 9,118 | 9,118 | |
| Utilities | 9,915 | 9,722 | 193 |
| Contracts with Private Agencies | 3,950 | 3,950 | |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| GENERAL FUND (Continued) | | | |
| General Government (Continued) | | | |
| Fiscal Court: (Continued) | | | |
| Maintenance Agreements | $ 1,300 | $ 1,293 | $ 7 |
| Miscellaneous | 2,247 | 2,247 | |
| Office of Property Valuation Administrator: | | | |
| Statutory Contribution | 9,806 | 9,806 | |
| Office of Board of Assessment Appeals: | | | |
| Per Diem | 400 | 400 | |
| Office of County Treasurer: | | | |
| County Treasurer's Salary | 5,200 | 4,767 | 433 |
| Office of Tax Administration: | | | |
| Occupational Tax Administrator's Salary | 9,262 | 9,262 | |
| Occupational Tax Refund | 37 | 37 | |
| County Law Library: | | | |
| Law Librarian Salary | 900 | 825 | 75 |
| Elections: | | | |
| Per Diem- | | | |
| Election Commissioners | 840 | 840 | |
| Election Officers | 3,620 | 3,620 | |
| Rentals | 70 | 70 | |
| Utilities | 925 | 485 | 440 |
| Election Expenses - Private Contracts | 9,751 | 9,550 | 201 |
| Election Expenses, Building Maintenance | 2,105 | 2,037 | 68 |
| Economic Development: | | | |
| Empowerment Zone | 1,867 | 1,867 | |
| Courthouse: | | | |
| Janitor's Salary | 1,560 | 1,560 | |
| Solid Waste Removal | 400 | 397 | 3 |
| Maintenance and Repairs on Courthouse | 777 | 777 | |
| Staff Travel | 1,411 | 1,411 | |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| GENERAL FUND (Continued) | | | |
| Protection to Persons and Property | | | |
| County Fire Department: | | | |
| Contributions | $ 21,000 | $ 21,000 | $ |
| Fire Truck Leases | 20,901 | 20,901 | |
| Disaster and Emergency Services: | | | |
| 911 Board | 44,400 | 43,818 | 582 |
| Reimbursement to City for Dispatchers | 43,500 | 43,500 | |
| Dispatcher Equipment | 7,156 | 6,265 | 891 |
| Office of Public Defender: | | | |
| Mandated Program Support | 1,120 | 1,120 | |
| General Health and Sanitation | | | |
| Health Department: | | | |
| Contribution | 47,000 | 45,000 | 2,000 |
| Animal Control: | | | |
| Contract with Government Agencies | 93 | | 93 |
| Senior Citizens Program: | | | |
| Contracts with Government Agencies | 2,000 | 2,000 | |
| Recreation and Culture | | | |
| Parks: | | | |
| Maintenance and Groundskeeper Salary | 15,105 | 15,105 | |
| Maintenance and Supplies | 3,000 | 2,998 | 2 |
| Debt Service | | | |
| Other County Liabilities: | | | |
| Principle and Interest - Lease of Voting Machines | 14,606 | 14,051 | 555 |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| GENERAL FUND (Continued) | | | |
| Administration | | | |
| General Services: | | | |
| Auditing Services | $ 10,000 | $ 5,093 | $ 4,907 |
| Bank Charges | 1,102 | 1,107 | (5) |
| Insurance | 98 | 98 | |
| Liability Insurance | 32,842 | 32,842 | |
| Surety Bonds | 1,824 | 1,824 | |
| Area Development District Contribution | 3,743 | 3,743 | |
| Kentucky Association of County Officials Membership | 800 | 800 | |
| Forest Fire Protection | 1,754 | 1,754 | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Social Security | 25,550 | 20,576 | 4,974 |
| Retirement | 26,000 | 24,753 | 1,247 |
| Health Insurance | 15,178 | 14,910 | 268 |
| Life Insurance | 500 | 175 | 325 |
| Workmen's Compensation | 13,644 | 13,644 | |
| Unemployment Insurance | 3,000 | 3,000 | |
| Total General Fund | $ 591,422 | $ 561,370 | $ 30,052 |
| ROAD AND BRIDGE FUND | | | |
| Roads | | | |
| Office of Road Supervisor/Engineer: | | | |
| Road Supervisor Salary | $ 22,276 | $ 20,570 | $ 1,706 |
| Office Materials and Supplies | 500 | 417 | 83 |
| Telephone | 781 | 781 | |
| Utilities | 1,500 | 1,015 | 485 |
| Road Maintenance: | | | |
| Salaries- | | | |
| Road Workers | 161,493 | 151,548 | 9,945 |
| Payroll Clerk | 8,963 | 8,963 | |
| Drug and Alcohol Consultants | 1,144 | 1,144 | |
| Contracted Construction | 40,000 | 36,860 | 3,140 |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| ROAD AND BRIDGE FUND (Continued) | | | |
| Roads (Continued) | | | |
| Road Maintenance: (Continued) | | | |
| Road Maintenance Operating Supplies | $ 31,441 | $ 31,158 | $ 283 |
| Fuel Petroleum Products | 40,000 | 29,405 | 10,595 |
| Machinery and Equipment - Repairs | 25,168 | 25,168 | |
| Materials | 531,417 | 531,417 | |
| Uniforms | 3,000 | 1,377 | 1,623 |
| Miscellaneous Expenses | 1,000 | 973 | 27 |
| Debt Service | | | |
| Other County Liabilities: | | | |
| Lease - Purchase Agreements | 65,075 | 63,374 | 1,701 |
| Administration | | | |
| General Services: | | | |
| Bank Charges | 773 | 773 | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Retirement | 19,000 | 12,221 | 6,779 |
| Social Security | 17,000 | 12,601 | 4,399 |
| Health Insurance | 16,025 | 15,934 | 91 |
| Life Insurance | 400 | 345 | 55 |
| Total Road and Bridge Fund | $ 986,956 | $ 946,044 | $ 40,912 |
| JAIL FUND | | | |
| Protection to Persons and Property | | | |
| Office of Jailer: | | | |
| Personnel Services- | | | |
| Salaries- | | | |
| Jailer | $ 18,930 | $ 18,930 | $ |
| Transportation Officer | 4,100 | 3,963 | 137 |
| Contract with Other Counties | 68,842 | 46,307 | 22,535 |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| JAIL FUND (Continued) | | | |
| Protection to Persons and Property (Continued) | | | |
| Office of Jailer: (Continued) | | | |
| Operations- | | | |
| Routine Medical | $ 9,089 | $ 8,899 | $ 190 |
| Staff Uniforms | 200 | | 200 |
| Staff Travel | 2,919 | 1,374 | 1,545 |
| Telephone | 550 | 407 | 143 |
| Utilities | 1,500 | 909 | 591 |
| Motor Vehicle | 1,500 | 110 | 1,390 |
| Miscellaneous Operating Expense | 81 | 81 | |
| Juvenile Detention: | | | |
| Contracts with other Counties | 9,630 | 9,630 | |
| Administration | | | |
| General Services: | | | |
| Association Dues | 200 | | 200 |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Retirement | 2,019 | 2,019 | |
| Social Security | 1,570 | 1,570 | |
| Total Jail Fund | $ 121,130 | $ 94,199 | $ 26,931 |
| LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND | | | |
| General Government | | | |
| Office of Coroner: | | | |
| Salaries- | | | |
| Coroner | $ 3,600 | $ 3,600 | $ |
| Deputy Coroner | 1,200 | 1,200 | |
| Total Local Government Economic Assistance Fund | $ 4,800 | $ 4,800 | $ 0 |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| AMBULANCE FUND | | | |
| Protection to Persons and Property | | | |
| Ambulance Service: | | | |
| Program Support | $ 108,020 | $ 63,602 | $ 44,418 |
| Administration | | | |
| Contingent Appropriations: | | | |
| Reserve for Transfers | 190,000 | | 190,000 |
| Total Ambulance Fund | $ 298,020 | $ 63,602 | $ 234,418 |
| COUNTY PARKS FUND | | | |
| Recreation and Culture | | | |
| Parks: | | | |
| Maintenance and Grounds | $ 151,400 | $ 78,231 | $ 73,169 |
| Utilities | 3,000 | 2,318 | 682 |
| Total County Parks Fund | $ 154,400 | $ 80,549 | $ 73,851 |
| DISASTER AND EMERGENCY SERVICES FUND | | | |
| Protection to Persons and Property: | | | |
| Office of Director: | | | |
| D.E.S. Director Salary | $ 7,200 | $ 7,200 | $ |
| Office Supplies | 500 | | 500 |
| Training | 500 | | 500 |
| Travel | 500 | | 500 |
| Administration | | | |
| Fringe Benefits: | | | |
| County Contributions- | | | |
| Social Security | 575 | 263 | 312 |
| Retirement | 660 | 592 | 68 |

METCALFE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES
Fiscal Year Ended June 30, 1999
(Continued)

| | Final Budget | Budgeted Expenditures | Under (Over) Budget |
|---|---|---|---|
| DISASTER AND EMERGENCY SERVICES FUND (Continued) | | | |
| Administration (Continued) | | | |
| Fringe Benefits (Continued): | | | |
| Health Insurance | $ 3,500 | $ 3,409 | $ 91 |
| Total Disaster and Emergency Services Fund | $ 13,435 | $ 11,464 | $ 1,971 |
| TOTAL BUDGET - ALL FUNDS | $ 2,170,163 | $ 1,762,028 | $ 408,135 |

SCHEDULE OF UNBUDGETED EXPENDITURES

METCALFE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1999

| Expenditures | Courthouse Fund |
|---|---|
| Office Materials and Supplies | $ 7 |
| Miscellaneous | 702 |
| Total | $ 709 |

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# REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Don M. Butler II, Metcalfe County Judge/Executive
Honorable Richard M. Froedge, Former County Judge/Executive
Members of the Metcalfe County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Metcalfe County, Kentucky, as of and for the year ended June 30, 1999, and have issued our report thereon dated January 5, 2000. Except for the effect of those items described in the first paragraph on page two, if any, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Metcalfe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations, included herein.

- The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year
- The Fiscal Court Should Pay Invoices In A Timely Manner
- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger
- Accurate Accounting Records Should Be Maintained By The County

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Honorable Don M. Butler II, Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metcalfe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Metcalfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations, included herein.

- The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year
- The Fiscal Court Should Pay Invoices In A Timely Manner
- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger
- Accurate Accounting Records Should Be Maintained By The County

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses:

- The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year
- The Fiscal Court Should Pay Invoices In A Timely Manner
- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County

Honorable Don M. Butler II, Metcalfe County Judge/Executive
Members of the Metcalfe County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
January 5, 2000

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# COMMENTS AND RECOMMENDATIONS

METCALFE COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1999

STATE LAWS AND REGULATIONS:

1) The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year

Based on the available records, the prior fiscal court expended or encumbered $704,961 of the available budget of $823,086 in the Road and Bridge Fund. The percentage of the available budget encumbered was 85.65%. Kentucky Revised Statute 68.310 states:

> Prior to encumbering or expending any funds from the road fund during the first half of any fourth year which exceed sixty-five percent (65%) of the amount budgeted, the fiscal court shall assure that there are sufficient funds remaining in the general fund to provide for the excess encumbrance or expenditure from the road fund on a dollar for dollar basis. These funds shall remain in the general fund until after January 1 of that fiscal year.

The available budget in the Road and Bridge Fund was $823,086 as of December 31, 1998. Sixty-five percent (65%) of the available budget was $535,006. The prior fiscal court expended and encumbered $704,961, which was $169,955 over the 65% limitation.

The purpose of this statute is to ensure that an incoming fiscal court will have enough money on hand to pay for essential government operations. The current fiscal court was supposed to receive 35% of the available budget, or $288,080 to pay for essential government operations. The current fiscal court was left with $118,125 of available budget in the Road and Bridge Fund as of December 31, 1998.

There was $467,236 of cash and investments in the bank as of December 31, 1998. The incoming fiscal court was left with $279,651 of outstanding liabilities incurred by the outgoing fiscal court; therefore, a fund balance (money available) of $187,585 existed in the Road and Bridge Fund as of December 31, 1998.

*County Judge Don Butler's Response:*

*Unremarkable and unbelievabl*e

STATE LAWS AND REGULATIONS: (Continued)

2) The Fiscal Court Should Pay Invoices In A Timely Manner

During the course of our audit, we found that numerous invoices were not paid in a timely manner. We noted that some invoices are still unpaid as of the current date for obligations made during the fiscal year. KRS 65.140 states that all bills for goods or services shall be paid within thirty working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper invoicing by the vendor or by the vendor's subcontractor. We have adjusted the financial statement to reflect the unpaid obligations at year-end as follows:

| | General Fund | Road and Bridge Fund | Jail Fund |
|---|---|---|---|
| Cash in Bank at June 30, 1999 | $ 25,023 | $ 121,207 | $ 16,987 |
| Unpaid Obligations at June 30, 1999 | (9,927) | (38,581) | (7,091) |
| June 30, 1999 Ending Balance | $ 15,096 | $ 82,626 | $ 9,896 |

We recommend that all members of the fiscal court review the quarterly outstanding encumbrance report to ensure compliance with KRS 65.140, which requires invoices to be paid within thirty working days.

*County Judge Don Butler's Response:*

*All invoices have been paid on a timely basis as of the audit report and it is now implemented that all invoices paid within a "thirty day" time frame.*

3) Personnel Files Should Be Properly Maintained For County Employees

During our test of payroll expenditures, we noted that proper personnel files were not being maintained for several employees. No personnel file was found for one employee. Signed withholdings authorizations were not found in the personnel files for six other employees. Timesheets were not found for two of the employees tested. KRS 337.320 requires that every employer keep a record of:

(a) The amount paid each pay period to each employee;
(b) The hours worked each day and each week by each employee; and
(c) Such other information the secretary requires.

Such records shall be kept on file at least one (1) year after entry. They shall be open to inspection and transcript of the commissioner or his authorized representative at any reasonable time, and every employer shall furnish to the secretary or his authorized representative on demand a sworn statement to be upon forms prescribed or approved by him.

STATE LAWS AND REGULATIONS: (Continued)

3) Personnel Files Should Be Properly Maintained For County Employees (Continued)

We recommend that proper personnel files and timesheets be maintained for all county employees.

*County Judge Don Butler's Response:*

*At date of audit report time sheets are being implemented and personnel files are being updated.*

4) All Funds Should Be Budgeted And Maintained By The County Treasurer

During the audit, we found that the Animal Shelter and Courthouse funds were not included in the budget or maintained by the County Treasurer. KRS 68.240 requires the County Judge/Executive to annually prepare a proposed budget for the expenditure of all funds which are to be expended by the fiscal court in the next fiscal year. In addition, KRS 68.020 states that the County Treasurer should receive and receipt all money. All checks should be co-signed by the County Treasurer and the County Judge/Executive. We recommend that, in the future, all funds be budgeted and maintained by the County Treasurer.

*County Judge Don Butler's Response:*

*Pursuant to Auditors recommendations, this account was put in "escrow" at interest rate equal to certificate of deposit rates. (COURTHOUSE FUND): This fund was closed and balances were deposited into the General Fund pursuant to recommendation of Auditors. (JAIL FUND – MEDICAL RESERVE): This fund was closed and balances were deposited into the Jail Fund..*

5) The County Should Adopt A Written Investment Policy

The county did not adopt a written investment policy by January 1, 1995. According to KRS 66.480, the county shall, by January 1, 1995, adopt a written investment policy that shall govern the investment of funds by the local government or political subdivision. The written investment policy shall include, but shall not be limited to the following:

a) A designation of the officer or officers of the local government or political subdivision who are authorized to invest and oversee the investment of funds;
b) A list of the permitted types of investments;
c) Procedures designed to secure the local government's or political subdivision's financial interest in the investments;
d) Standards for written agreements pursuant to which investments are to be made;
e) Procedures for monitoring, control, deposit, and retention of investments and collateral;
f) Standards for the diversification of investments, including diversification with respect to the types of investments and firms with whom the local government or political subdivision transacts business;

STATE LAWS AND REGULATIONS: (Continued)

5) The County Should Adopt A Written Investment Policy (Continued)

g) Standards for the qualifications of investment agents which transact business with the local government, such as criteria covering creditworthiness, experience, capitalization, size, and any other factors that make a firm capable and qualified to transact business with the local government or political subdivision; and
h) Requirements for periodic reporting to the governing body on the status of invested funds.

We recommend that the county adopt a written investment policy pursuant to KRS 66.480.

*County Judge Don Butler's Response:*

*Metcalfe Fiscal Court will adopt a written investment policy, according to KRS 66.480, at the next regular Fiscal Court meeting which will be held on October 12, 1999.*

6) The County Should Maintain An Investments Ledger

The County did not maintain an investments ledger. Auditors analyzed investment activities based on the statements from the bank which was a very time consuming process. An investments ledger would help provide an adequate audit trail and reduce audit costs. We recommend that in the future the County Treasurer maintain an investments ledger.

*County Judge Don Butler's Response:*

*Investment ledger in place as of July 1, 1999; and all principal and interest balances corrected.*

7) Accurate Accounting Records Should Be Maintained By The County

The county's appropriation ledger was not correctly posted, resulting in an inaccurate county financial statement. Auditors noted that voided checks were posted, checks were posted for incorrect amounts, and some checks were posted twice. Some expenditures were posted to incorrect accounts in the appropriations ledger. Although two appropriations ledgers were maintained by the county, it does not appear that they were reconciled properly. Additional errors were made when preparing the financial statements including mathematical errors and posting amounts to the wrong columns on the quarterly financial statements. Several receipts including county and state payments were posted to miscellaneous receipts or otherwise misclassified. We recommend the county maintain accurate accounting records in the future and that the two appropriations ledgers be reconciled regularly.

*County Judge Don Butler's Response:*

*In January, 1999, the system in place was continued; As of July, 1999 the accounting procedures recommended by the State Auditors was adopted and in place.*

STATE LAWS AND REGULATIONS: (Continued)

8) Certification of Compliance – Local Government Economic Assistance Program

KRS 42.460 requires that any assistance granted under KRS 42.450 to KRS 42.495 include an agreement that an independent annual audit shall be conducted and that the audit report shall include a certification that the funds were expended for the purpose intended. A copy of the audit and certification of compliance shall be forwarded to the Department for Local Government, in the case of assistance granted from the local government economic assistance fund, within eighteen (18) months after the end of the fiscal year. We have included this certification in the audit report, but the former County Treasure declined to sign the certification.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Metcalfe County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These conditions are described above and we consider the following to be material weaknesses.

- The Former Fiscal Court Should Have Limited Expenditures For The First Half Of The Fiscal Year
- The Fiscal Court Should Pay Invoices In A Timely Manner
- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

The following noncompliances were reported in the prior audit report and have not been corrected:

- Personnel Files Should Be Properly Maintained For County Employees
- All Funds Should Be Budgeted And Maintained By The County Treasurer
- Accurate Accounting Records Should Be Maintained By The County

The following noncompliances were reported in the prior audit report and have not been corrected:

- The County Should Adopt A Written Investment Policy
- The County Should Maintain An Investments Ledger

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CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

METCALFE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1999

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

METCALFE COUNTY FISCAL COURT

June 30, 1999

The Metcalfe 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.

Name : DON M BUTLER II
County Judge/Executive

Name : MARTHA C. RICHARDSON
County Treasurer