

CITY OF SPARTA RESPONSE

CITY OF SPARTA

PO BOX 40
SPARTA, KY 41086
GALLATIN/OWEN CO.

Phone 859-643-4000
Fax 859-643-3500

February 2, 2001

Edward B. Hatchett Jr.
Auditor of Public Accounts
144 Capitol Annex
Frankfort, Ky 40601

VIA MAIL AND FAX
(502) 564-2912

Attention: Brian Lykins, Director

RE: "Examination of selected transactions and activities of the city of Sparta"
Draft report dated 1/29/2001

Dear Director Lykins:

We have received and reviewed your draft report regarding the City of Sparta. We thank you for the time and attention you have paid to our city as we strive to meet the increasing need for municipal services in our jurisdiction. We also thank you for the opportunity to respond to your draft report before it becomes public. We do so for several reasons.

First your report contains several errors which we feel need to be corrected. These are detailed in attachment "A" (enclosed).

Second, your report includes substantial references to matters which do not concern the fiscal responsibilities of the city. In some instances your criticism seems directed at the tax policies of private citizens. We do not feel it is appropriate for the city of Sparta to stand by silently in the face of these references and be deemed in agreement with your statements. We do not take any other position in that regard.

Third, we welcome the input you have made with regard to correcting some bookkeeping decisions we have made to your dissatisfaction. The city will act upon your suggestion immediately to accomplish the following: Correct the \$1000 COPS grant problem; Correct the \$3050.03 State Aid Road Fund accounting entry; explore the opportunity to enter into formal agreements with any attorneys providing legal services to the city.

And lastly we welcome the opportunity to respond to your draft report so we can explain the circumstance under which we are currently operating.

In 1997 the city of Sparta suffered a flood which destroyed all of our municipal records. At that time the city, organized as a sixth class city, performed minimal municipal functions.

Soon after the flood, rumors began circulating that a multi-million dollar NASCAR speedway was going to be built literally in our backyard. Press accounts made it very clear that life, as we had come to know it, was going to change.

With a great deal of foresight, energy and courage interested citizens began investigating these reports. It was soon determined that the presence of the new speedway was going to have a dramatic and unprecedented impact upon the citizens of Sparta, their property values, roadways and public safety. It became apparent that the county government had no plans for increased services and was financially unprepared to deal with the public safety concerns of the citizens in and around Sparta. In fact, public meetings revealed that the county was going to incur substantial debt in order to finance the speedway project with no corresponding tax benefit to the county.

After consulting with representatives of the new speedway, the Kentucky Department of Local Government, the Kentucky Municipal League and the Municipal Law Center at Northern Kentucky University, plans were made to modernize the city government to help meet the increasing needs of the area.

Based upon promises, recommendations and the advice of representatives of the new speedway, Sparta was encouraged to annex the territory which included the speedway and what was represented to be the property most likely to develop around it. A substantial tax base was identified by the speedway and assurances of tax revenues from the speedway were outlined. Planning was based upon those representations and promises.

At the start of this seemingly overwhelming project, Sparta was operating with a very limited budget. There were no revenues available to hire accountants and lawyers and the city relied heavily upon the agencies identified above. Thanks to the generosity of some citizens, facilities and start up funds were made available which allowed for the establishment of a city office, city clerk and the means by which to undertake the job of enacting legislation, complying with government regulations, exploring alternative financing sources and applying for grant money. It was, and continues to be very clear, that the city of Sparta, our residents and neighbors have a common goal. That goal is to prepare for and to take advantage of the wonderful opportunity for enhancement of our lifestyle presented by the speedway.

We strongly take issue with the tone of your draft report that suggests that a city, its residents and businesses must necessarily represent antagonistic and competing interests. Such an implication must necessarily lie at the foundation of your analysis for you to reference "conflicts" and "improprieties". You are simply wrong. The truth is that the city, its businesses and the vast majority of our residents are pulling together. Your report suggests we must be pulled apart. We disagree with your viewpoint in this regard.

Unfortunately, however, one of our businesses is in fact pulling against us. The Kentucky

Speedway, contrary to its promises and representations, has sued Sparta to keep from paying taxes, to be de-annexed and to seek the return of taxes it has already paid. The giant that invaded our community, that clogs our streets, that brings thousands of strangers into our neighborhoods at night, refuses to carry any part of its own weight. And what is worse, the planning they encouraged, and the financial commitments they encouraged us to make upon their promises, have put the city of Sparta in a difficult position. The lawsuit filed against the city by the Kentucky Speedway, and all of the other actions of that organization as they relate to the efforts of the city, are akin to holding a gun to our head. You say your investigation was triggered by complaints. We would like to know who has their finger on that trigger.

Your report is curiously devoid of any reference to the potential for growth in Sparta, or the good things we have accomplished. With all due respect, it appears to be a "hatchet" job designed to correct a few missteps in a small developing city, but devoted in larger measure to criticizing certain of our businesses and citizens for what in reality is their generosity and assistance.

Yes we can enact ordinances to correct our naive misunderstanding regarding the effect of municipal orders. But you fail to mention that the business you criticize did not need a license at all. There was no zoning, license requirement or regulatory scheme in place whatsoever that would have prevented the business from operating even without a license. To be a good neighbor, the business encouraged the issuance of a license, willingly paid for the same to help the city financially and has received nothing in return but a tax bill. Your criticism appears strangely partisan. Objectively, we believe that your criticism is unfounded.

We in Sparta welcome any suggestions you may have for improvement. Certainly, when our finances were better we hoped to hire accountants, and lawyers who could be paid for their services. We express our gratitude for those who have volunteered those services during our start up period. We resent your criticism of their pro bono work.

We are anxious to receive any positive suggestions you may have. We are willing to make use of whatever government help is available. And we hope you have a genuine appreciation for what we are trying to accomplish here in Sparta. We are proud of our city and our citizens. We urge you to issue your final report with the above considerations taken into proper account.

Sincerely,

A handwritten signature in cursive script that reads "Brenda Henry".

Brenda Henry
Mayor

ATTACHMENTS

1. ON PAGE 11 OF THE DRAFT IT STATES IN THE FIRST PARAGRAPH, THAT THE CITY DID NOT HAVE A POLICE VEHICLE OTHER THAN THE ROAD BRONCO UNTIL MARCH 16, 1999. THAT IS NOT TRUE, MR. LAWRENCE WAS ASKED ON OCT. 31, 1998, IF HE COULD POSSIBLY DONATE A POLICE VEHICLE. HE IN FACT SAID HE WOULD, AND STARTED LOOKING FOR ONE. HE PUT A DOWN-PAYMENT ON A 1998 CHEROKEE SPORT, FROM OWENTON CHRYSLER, IN LATE NOV. 1998. THE POLICE DROVE THE VEHICLE, AND REPORTED TO ME THAT IT WOULD NOT HOLD OIL PRESSURE, I THEN TOLD MR. LAWRENCE'S SECRETARY ON JAN 11, 1999 TO HOLD UP ON PAYMENT. AFTER THAT WAS WHEN HE ORDERED THE NEW JEEP WE PAID FOR ON MAR. 16, 1999. BUT WE HAD THE VEHICLE BEFORE HE PAID FOR IT.

2. AS PER ENCLOSED DOCUMENTS, LAW ENFORCEMENT OFFICER RETENTION PLAN. WE FILED FOR THE COPS GRANT THINKING WE WOULD HAVE REVENUE FROM REAL PROPERTY AND TICKET SALES. WHICH THEY HAVE TIED UP IN LITIGATION. ALSO, THE WAY WE INTERPRET THE ENCLOSED DOCUMENT ON THE 25% MATCHING FUNDS, WE ARE NOT REQUIRED TO HAVE THE FULL AMOUNT UNTIL THE END OF THE THIRD YEAR, AND WE FULLY EXPECT TO HAVE IT.

Revis Budget Summary - Important Notice

During the review of your COPS Universal Hiring Program budget information, the Office of the Comptroller, Office of Justice Programs or the COPS Office amended the budget information submitted with your application. These adjustments affect your budget summary. The COPS Office modified your budget summary to reflect these changes and to meet legislative requirements.

Please examine the Revised Budget Summary below. COPS Office staff have changed the Federal Share, the local share or both shares. If you have any questions, please contact your grant advisor at the COPS Office. Thank you for your attention to this matter.

ORI: KY03908	Organization: Sparta, City of	
The total three year cost for salaries and benefits per full-time officer requested		\$99,915.00
The total amount of federal funds per full-time officer requested is:		\$74,936.00
The total three year cost for salaries and benefits per part-time officer requested		\$0.00
The total amount of federal funds per part-time officer requested is:		\$0.00

Under COPS grants, the Federal share of total salaries and benefits must decrease each year leading to full local funding by the fourth year of officers' employment. At the same time your local share must increase each year. Furthermore, Federal funds per officer cannot exceed 75% of three years salary and benefits, or \$75,000, whichever is less. We have prepared the following table for your review. If these amounts do not meet your needs, please provide revised figures in the blank table below. Thank you.

<i>Full Time</i>	<u>Year 1:</u>	<u>Year 2:</u>	<u>Year 3:</u>	<u>Totals:</u>
Federal Share (must decrease):	\$27,980	\$24,978	\$21,978	\$74,936.00
Local Share (must increase):	\$5,325	\$8,327	\$11,327	\$24,979.00
Total Salaries/Benefits:	\$33,305.00	\$33,305.00	\$33,305.00	\$99,915.00
Federal Share (must decrease):	_____	_____	_____	_____
Local Share (must increase):	_____	_____	_____	_____
Total Salaries/Benefits:	_____	_____	_____	_____
<i>Part Time</i>				
Federal Share (must decrease):	\$0	\$0	\$0	\$0.00
Local Share (must increase):	\$0	\$0	\$0	\$0.00
Total Salaries/Benefits:	\$0.00	\$0.00	\$0.00	\$0.00
Federal Share (must decrease):	_____	_____	_____	_____
Local Share (must increase):	_____	_____	_____	_____
Total Salaries/Benefits:	_____	_____	_____	_____

The undersigned agrees to adhere to the financial commitments outlined above.

Name (typed) of Authorized Official: BRENDA HENRY Title: MAYOR
 Signature: *Brenda Henry* Date: 09-17-99

PURCHASE PRICE OF EXPLORER FROM ROAD AID:	4959.00
REPAIR AND MAINTENANCE.	2147.51
RADIO EQUIPMENT	783.65

CITY TO REIMBURSE ROAD AID

1651.35 1/3 OF PURCHASE

536.88 1/4 OF TOTAL , THE MOTOR AND TRANSMISSION WENT OUT DUE TO PUSHING SNOW

783.65 FOR RADIO EQUIPMENT, FULL PRICE BECAUSE THE RADIO WAS TAKEN OUT WHEN IT WAS SOLD.

- 499.50 THE VEHICLE WAS SOLD FOR 1500.00 AND DEPOSITED TO THE ROAD AID ACCOUNT. THIS IS 1/3 OF SALE PRICE.

TOTAL TO BE DEPOSITED TO ROAD AID ACCOUNT FROM GENERAL ACCOUNT IS:
\$2472.37

CITY OF SPARTA
P.O. BOX 40
SPARTA, KENTUCKY 41086
(502) 643-4470

Brenda Henry
Mayor

Jayne Smith
Clerk

Law Enforcement Officer Retention Plan
April 12, 1999

The City of Sparta has approved the submittal for a COPS Universal Hiring Program (UHP) application to the United States Department of Justice for the funding of three (3) full-time, sworn, law-enforcement positions (a copy of the application is attached hereto). Pursuant to the UHP guidelines and in anticipation of grant approval, the City has developed the funding plan described herein, which is expected to provide for the retention of those law enforcement positions approved by the Department of Justice after the funding period has expired.

The City of Sparta will create a law enforcement account within the General Fund Budget which will provide line item expenditures for salaries and related costs. Proceeds from the insurance premium tax and revenues from the development of the Northern Kentucky speedway, such as taxes upon real property and ticket sales, will be dedicated to the law enforcement budget and retention of the approved law enforcement positions.

Mayor Brenda Henry
Clerk Jayne Smith
Police Chief William D. Ring

1-888-955-1023 TRIUMPH

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17494U *Green* 2800 miles
 18100
 16k *Blue OR*
 17k *Black*
 \$2,000.00 17,500
 643-4287 *using oil - no*
Jayne Smith *oil pressure*
200 miles so far
 Meredith L. Lawrence
 Larry Rose

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The New Dodge
Trucks

OWENTON
CHRYSLER PRODUCTS, INC.
308 North Main Street
OWENTON, KENTUCKY 40259

BUYER'S ORDER				OWENTON CHRYSLER PRODUCTS, Inc.			
I HEREBY AGREE TO PURCHASE FROM YOU UNDER THE TERMS AND CONDITIONS SPECIFIED THE FOLLOWING:		<input type="checkbox"/> NEW <input checked="" type="checkbox"/> USED <input type="checkbox"/> DEMO		STOCK NO. 17494U 705		CHRYSLER Plymouth Jeep	
OWENTON CHRYSLER PRODUCTS, Inc. 308 N. Main St. OWENTON, KENTUCKY 40369 (502) 484-2986				Dodge Charge Trucks Eagle			
YEAR: 1998		MAKE: JEEP		NAME: CITY OF SPARTA		ADDRESS: P O BOX 40	
MODEL OR SERIES: CHER SPORT 4		COLOR: BLUE		CITY: SPARTA		STATE: KY ZIP: 41086	
MILEAGE: 16300		BODY: CHER SPORT BLU		CYL: 6		OFFICE PHONE: (606) 643-4410	
SALESMAN: CARRY V. ROSE		BIRTH DATE: 06/01/60		DOB: 616-01-3105		DATE: 12/22/98	
EQUIPPED WITH:		<input type="checkbox"/> RADIO <input type="checkbox"/> AUTO TRANS <input type="checkbox"/> DEFOG <input type="checkbox"/> POWER WIND <input type="checkbox"/> TILT/CRUISE		<input type="checkbox"/> SUN ROOF <input type="checkbox"/> MANUAL TRANS <input type="checkbox"/> AL WHEELS <input type="checkbox"/> POWER SEATS <input type="checkbox"/> AIR COND.		CO BUYER SEC. NO.	
PHONE NO.		DATE		OBTAINED BY (NAME)		GIVEN BY	
AMOUNT		GOOD TILL		BASE PRICE		ACCESSORIES	
						N/A	
						EXTENDED WARRANTY	
						N/A	
						GAP INS. COVERAGE	
						N/A	
						LIFE & AH	
						N/A	
TOTAL DEALER INSTALLED EQUIPMENT		N/A					
A PROCESSING FEE IS NOT AN OFFICIAL FEE AND IS NOT REQUIRED BY LAW BUT MAY BE CHARGED TO A BUYER FOR THE HANDLING OF DOCUMENTS AND THE PERFORMING OF SERVICES RELATED TO THE CLOSING OF A SALE. A BUYER MAY AVOID PAYMENT OF THE FEE BY HANDLING THESE DOCUMENTS AND PERFORMING THESE SERVICES.		UNLESS THE MANUFACTURER OR THE DEALER HAS ISSUED SPECIFIC WARRANTY ON THIS VEHICLE, SEE THE DISCLAIMER OF WARRANTY ON THE BACK OF THIS CONTRACT (SEE SECTIONS 3, 4 & 6 ON REVERSE).		CASH PRICE OF VEHICLE & ACCESS		17500.00	
				STATE TAX		1050.00	
				LICENSE & TRANSFER		47.00	
				PROCESSING FEE		\$ 50.00	
				TOTAL SELLING PRICE		18647.00	
PURCHASER'S CERTIFICATION		1. I hereby certify that this order includes all of the terms and conditions on both the face and reverse side hereof, that this order cancels and supersedes any prior agreement and as of the date hereof completes the complete and exclusive agreement of the terms of the agreement relating to the subject matter covered hereby, and that THIS ORDER SHALL NOT BECOME BINDING UNTIL ACCEPTED BY DEALER OR HIS AUTHORIZED REPRESENTATIVE; AND		TRADE IN AMOUNT \$		N/A	
2. I have reviewed this order and fully understand that my new or it will be equipped only with the optional equipment specifically listed on the face of this order plus all standard equipment as designated by the manufacturer at time of delivery; AND		3. All equipment (including tire) as appraised on my trade in will remain.		AMOUNT DOWNTOWN ON TRADE IN \$		N/A	
4. I certify that I am 18 years of age or older, and that I have read the printed matter on the front and back hereof, and agree to it as a part of this order the same as if it were printed above my signature.		SIGNATURE OF TRANSFEROR OR PURCHASER		NET EQUITY ON TRADE IN		N/A	
X <i>Carry V. Rose</i>				DIFFERENCE (TOTAL SELLING PRICE MINUS NET EQUITY ON TRADE IN)		18647.00	
DLR. NO. NO. 118587094		STATE KY		DEPOSIT \$		N/A	
				REBATE: DEALER <input type="checkbox"/> BUYER <input checked="" type="checkbox"/> NONE <input type="checkbox"/>		18647.00	
				BALANCE DUE ON DELIVERY (CASH)			
				UNPAID BALANCE (FINANCE)		N/A	
				TRADE IN INFORMATION			
				YEAR		MAKE	
				MODEL		COLOR	
				LIC. NO.		BECA. NO.	
				MILEAGE		CYL.	
				ACCEPTED BY:		<i>Carry V. Rose</i>	



KENTUCKY LEAGUE OF CITIES

September 20, 2000

Ms. Jayne Smith
City Clerk/Treasurer
City of Sparta
P.O. Box 40
Sparta, KY 41086

Dear Ms. Smith:

Congratulations to the city of Sparta on receiving a grant from the Kentucky Department of Libraries and Archives for the codification of the city's ordinances. I was pleased to hear that you selected me to do the final legal review work on the codification project.

I have signed the Statement of Obligation concerning the legal review process and have forwarded the original to Jerry Carlton at Libraries and Archives. A copy is enclosed for your records.

I look forward to working with you and the other officers of your city on the codification project. Please feel free to contact me at 1-800-876-4552 if I can be of any assistance or if you have any questions.

Sincerely,

William A. Thielen
General Counsel

Enclosure

*The Business license ordinance will be
in with this when complete.*
Jayne Smith

President: Mayor Daniel H. Ruckriegel, Sr.; **First Vice President:** Mayor Robin T. Cooper; **Second Vice President:** Mayor Thomas E. Holocher; **Immediate Past President:** Mayor Pam Miller; **Executive Director/CEO:** Sylvia L. Lovely

101 East Vine Street, Suite 600 ♦ Lexington, Kentucky 40507-3700
859.323.3700 ♦ 1.800.876.4552 ♦ Fax: 859.323.3703 ♦ Web Site: www.klc.org



AUDITOR'S REPLY

After considering the City's response to our draft report, we made certain revisions that resulted in clarifying our final report. We stand behind our findings as stated in this report.