



**EXAMINATION OF  
SELECTED PRACTICES AND FINANCIAL TRANSACTIONS  
OF KNOTT COUNTY GOVERNMENT**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

April 30, 2003

Donnie Newsome, Judge-Executive  
Knott County Fiscal Court  
P.O. Box # 505  
Hindman, Kentucky 41822

RE: Auditors' Report on Knott County Examination

Dear Judge-Executive Newsome:

We have performed an examination of selected practices and financial transactions of Knott County government (County). Our examination was initiated in March 2001 as a result of information brought to our attention by citizens. In January 2002, we completed our examination. In cooperation with federal law enforcement authorities, we have delayed the release of this report of our examination until today. Our objective was to ascertain the existence of the following alleged circumstances:

- Improper purchasing activities;
- Conflicts of interests;
- Misuse of County assets; and,
- Inadequate safeguarding of County assets.

We interviewed County employees and vendors, and examined County accounting records and the documentation of transaction details. We identified purchasing improprieties and conflicts of interests involving three construction businesses owned by the same individual (Construction Group) that were collectively paid over \$785,000 between January 1, 1999, and March 31, 2001. These improprieties included the County's failure to competitively bid all projects and to require detailed invoices from vendors. We also discovered the overstatement of training hours attended, inappropriate use of an official vehicle, and \$3,237 in charges to County credit cards lacking proper public purpose.

Our examination of Eastern Kentucky Pride, Incorporated (PRIDE) federal grant projects in the County revealed improper purchases and conflicts of interests. Project work was divided to avoid bidding requirements, and work was awarded to businesses owned by a family member and campaign contributor of the County Judge-Executive. In addition, the County leased a building from a family member of the Judge-Executive.



Judge-Executive Newsome  
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The County used over \$33,000 of E-911 service charge revenues for unauthorized purposes, in one instance against the advice of the Knott County Attorney. Local Government Economic Assistance (LGEA) funds were improperly used to pay \$9,823 in punitive damages resulting from the County's settlement of lawsuits. Restricted funds were improperly loaned to the General Fund in fiscal year 2001, and taxable payments were underreported on federal forms. The Knott County Code of Ethics (Code of Ethics), enacted in December 1994, was never implemented. Finally, County fuel was used without being accounted for.

The findings noted during the performance of our examination are explained in the attached report. We referred these findings to federal law enforcement authorities in January 2002. We wish to thank County personnel, as well as all other parties involved, for the cooperation extended to us during the course of our work.

Very truly yours,

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

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

EBHJr:kct

## Findings and Recommendations

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### Purchasing improprieties and conflicts of interests call into question over \$785,000 of County disbursements.

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The County does business with Donís Excavating, Premier Construction, and Premier Pipe Company (Construction Group), all of which share a common owner (Construction Group Owner). Between January 1, 1999 and March 31, 2001 (Examination Period), the County paid the Construction Group \$785,267 for construction projects. The County did not consistently observe competitive bidding requirements, did not require detailed invoices from the Construction Group, and failed to perform objective inspections of work performed by the Construction Group.

At the beginning of the Examination Period, KRS 424.260 required advertised, sealed bidding for projects exceeding \$10,000. This statute was revised effective July 14, 2000, raising the project bidding threshold to \$20,000.

Effective November 3, 2000, the County changed its procurement standard by adopting the Model Procurement Code. KRS 45A.365(1) of the Model Procurement Code states, "all contracts or purchases shall be awarded by competitive sealed bidding, except as otherwise provided by KRS 45A.370 to 45A.385." The only one of these allowable exceptions that applies to projects performed by the Construction Group is the small purchase provision, KRS 45A.385, which states:

The local public agency may use small purchase procedures for any contract for which a determination is made that the aggregate amount of the contract does not exceed ten thousand dollars (\$10,000) if small purchase procedures are in writing and available to the public.

### Payments to the Construction Group

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Donís Excavating	\$ 580,143
Premier Construction	162,534
Premier Pipe Co.	<u>42,590</u>
Total	<u>\$ 785,267</u>

The Construction Group presented seventy-nine invoices to the County during the Examination Period (see Exhibit A). Twenty-four of these invoices totaling \$626,807 were for work that required competitive bidding. Ten of the twenty-four invoices represented work that was not bid. This un-bid work totaled \$191,504.

According to the Construction Group Owner, work performed for the County accounts for approximately eighty percent of his business. The Construction Group Owner also acknowledged that he performed little work for the County prior to January 1, 1999.

*The County did not require detailed invoices from the Construction Group.*

We examined Construction Group invoices, along with descriptions of work performed or goods provided. Different businesses within the Construction Group were used to invoice for similar goods or services (see Exhibit A). Additionally, on some occasions, these similar goods or services were invoiced by different Construction Group companies simultaneously in such a way that one or both of the invoices were below the bidding threshold. The Construction Group Owner stated that work he performs is billed by Donís Excavating, while work performed by his son is billed by Premier Construction. The Construction Group Owner endorsed payments to Premier Construction during the Examination Period.

Construction Group invoices during the first seven months of 1999 contained line item detail. However, after a contract was awarded August 11, 1999, for which the Construction Group Owner submitted lower prices than his companies had previously charged the County, line item detail was no longer provided on invoices. This withholding of detail made it impossible to determine whether prices were billed correctly for the work that was bid (see Exhibit B). The Construction Group Owner indicated that the change in billing practices was a result of company personnel changes.

*The absence of segregated duties increases the possibility that irregular activities could occur undetected.*

The County Road Foreman does not inspect roadwork performed by contractors and is not informed of what the County pays for such work. The Judge-Executive inspects contract roadwork almost exclusively. In some cases, the Deputy Judge-Executive, who is a cousin to the Construction Group Owner, inspects such work.

The Judge-Executive stated that inspections are conducted in this manner because he feels obligated to personally ensure that all contract roadwork is completed satisfactorily. This explains the Judge-Executiveís involvement but does not explain the Road Foremanís exclusion. Given the relationships the Construction Group Owner has with the County officials inspecting his work, the absence of segregated duties compromises objectivity and increases the possibility that irregular activities could go undetected.

*Thirty-five gambling trips taken by the Judge-Executive, the DES Director, and the Construction Group Owner created the appearance of conflicts of interests.*

Casinos issue membership account cards to registered patrons as a tool to track gambling activity and award what are referred to as "comp points," which patrons exchange for complimentary goods or services. Patrons are not required to use these cards while gambling. Casino records reflect that membership account cards registered to the Construction Group owner and either the Judge-Executive, the County's Department of Emergency Services Director (DES Director), or both, were used simultaneously. This joint gambling occurred on at least thirty-five occasions during the period from September 8, 1999, to September 6, 2001 (see Exhibit C). Almost all of these confirmed uses occurred on weekdays and many during office hours.

The Judge-Executive acknowledged that he had been gambling with the Construction Group Owner, but stated that it did not occur as frequently as casino records indicated because he often loaned his membership account cards to others he did not identify. Statements from individuals frequently present during the casino trips contradict the Judge-Executive's characterization, stating that the Judge-Executive and the DES Director often went on trips to casinos together and that the Construction Group Owner often accompanied them.

*On two occasions, the County awarded contracts to the Construction Group one day after County officials and the Construction Group Owner took a gambling trip.*

Records from a casino in the Louisville area indicate that membership account cards registered to the DES Director and the Construction Group Owner were used on Thursday, September 28, 2000. A hotel in Louisville charged the Judge-Executive's County credit card a total of \$162.81 on September 28, 2000 (see Exhibit D). On September 29, 2000, the County held a special Fiscal Court meeting. During this meeting the Fiscal Court voted to award Don's Excavating the contracts to construct bridges at Bear Fork and Meadow Lark Road. The bid price for each bridge was \$26,000. There were no competing bids for these projects according to information the County provided.

Casino records indicate that membership account cards registered to the Judge-Executive and the Construction Group Owner were used on Thursday, July 26, 2001. The Judge-Executive's County credit card was used twice to purchase gasoline on July 26, 2001 (see Exhibit D). On July 27, 2001, the County held a special Fiscal Court meeting. During this meeting the Fiscal Court resolved to award Don's Excavating the bid to perform chip seal road resurfacing. There were no competing bids for these projects according to the information the County provided.

These gambling activities create the appearance of conflicts of interests and violate the Model Procurement Code's Statement of Public Policy, as set forth in KRS 45A.450(3):

Employees must discharge their duties and responsibilities fairly and impartially. They should also maintain a standard of conduct that will inspire public confidence in the integrity of the government of all local public agencies.

*Recommendations*

We recommend that County officials:

- Refrain from engaging in activities which create real or apparent conflicts of interests;
  - Ensure the County complies with the Model Procurement Code; and,
  - Ensure that roadwork inspection duties are properly segregated.
- 

**The Judge-Executive overstated the number of training hours certified as attended.**

Department for Local Government (DLG) training records, certified by the Judge-Executive, reflect that he attended the 1999 Kentucky Association of Counties (KACo) Annual Conference, the 2000 Governor's Highway Safety Summit, and the 2001 Governor's Local Issues Conference. The County Officials Leadership Institute recognizes the Judge-Executive as a Certified County Official, based in part on these training credits.

Casino records, however, document that the Judge-Executive's membership account card was used while these training sessions were being held. The Judge-Executive stated that he never gambled during time he reported as attending training. Statements from individuals frequently present during the casino trips contradict this contention, stating that the Judge-Executive regularly skips training to go to casinos and reports that he attended the training. Other documentation contradicts the Judge-Executive's claim as well.

*1999 KACo Annual  
Conference*

Training records for the 1999 KACo Annual Conference, certified by the Judge-Executive, reflect that he attended training sessions from 1:00 p.m. to 5:30 p.m. on November 17, 1999 (see Exhibit E). Casino records document that the Judge-Executive's membership account card was used for over 10 hours on November 17, 1999 (see Exhibit F). Casino records further document that the Judge-Executive personally received jackpot payments of \$1,200 at 5:01 p.m. and \$1,500 at 6:42 p.m. on November 17, 1999 (see Exhibit G). The casino verified the Judge-Executive's identity by checking his driver's license as a condition of jackpot payment.

*2000 Governor's Highway  
Safety Summit*

Training records for the 2000 Governor's Highway Safety Summit, certified by the Judge-Executive, reflect that he attended training sessions from 1:30 p.m. to 5:30 p.m. on November 8, 2000 (see Exhibit H). Casino records document that the Judge-Executive's membership account card was used between 1:33 p.m. and 7:49 p.m. on November 8, 2000 (see Exhibit I).

*2001 Governor's Local  
Issues Conference*

Training records for the 2001 Governor's Local Issues Conference, certified by the Judge-Executive, reflect that he attended training sessions from 1:30 p.m. to 4:45 p.m. on August 13, 2001, from 9:00 a.m. to 5:00 p.m. on August 14, 2001, and from 9:00 a.m. to 11:45 a.m. on August 15, 2001 (see Exhibit J). The Judge-Executive stayed at the Galt House hotel, where the conference was held. However, hotel records and County credit card accounts document only a one-night stay on August 14, 2001 (see Exhibit K).

The Judge-Executive's County credit card was used to purchase gasoline in Beaver, Floyd County, on August 14, 2001 (see Exhibit L). Casino records document that the Judge-Executive's membership account card was used between 1:53 p.m. and 6:12 p.m. on August 14, 2001 (see Exhibit M).

*Recommendations*

We recommend that the Judge-Executive:

- Revise training records to reflect training actually attended; and,
  - Ensure that future training certifications reflect time for training sessions actually attended.
-

**The Judge-Executive used an official vehicle and County credit cards for non-public purposes.**

We received statements from individuals frequently present during casino trips, as well as other anonymous individuals, that the Judge-Executive regularly used his official vehicle for non-public purposes, specifically to travel to casinos. The Judge-Executive has stated that he does not use his official vehicle for personal purposes or charge personal expenses on his County credit cards.

The Judge-Executive's official County vehicle was parked at one of the casinos frequented with the Construction Group Owner at 4:52 p.m. on September 6, 2001 (see Exhibit N). Casino records document that the Judge-Executive's membership account card was used beginning at 1:44 p.m. on that day. The keys to the Judge-Executive's official vehicle were at the valet parking station under the name of the Construction Group Owner, who acknowledged that the Judge-Executive's official vehicle was used to visit casinos a couple of times.

The Judge-Executive stated that the casino was right across the river from Frankfort, where he had attended a meeting with an individual from the Transportation Cabinet that day and proceeded to the casino afterwards. The casino is approximately sixty miles from Frankfort. The individual from the Transportation Cabinet named by the Judge-Executive stated that no such meeting occurred on September 6, 2001.

*Fourteen hotel stays charged to the Judge-Executive's County credit cards coincided with gambling trips.*

Expenses associated with seventeen hotel stays were charged between September 1999 and August 2001, to the two County credit cards issued to the Judge-Executive. We discovered gambling, documented by the use of one or more membership account cards belonging to the Judge-Executive, the DES Director, and the Construction Group Owner, in close proximity to fourteen of these hotel stays (see Exhibit O). The Construction Group Owner acknowledged staying in rooms paid for by the County several times and his home phone number was called from these rooms on at least two occasions.

*The County paid \$3,237 for travel expenses lacking proper public purpose.*

The Judge-Executive could not state the proper public purpose for these trips, other than to say that they should be for training or a meeting. Training events reflected in the Judge-Executive's training records on file with DLG did coincide with some of the questioned trips. However, there remained seven overnight trips with no proper public purpose.

We also discovered seventeen day trips with gasoline purchases that coincided with gambling documented by the use of one or more membership account cards belonging to the Judge-Executive, the DES Director, and the Construction Group Owner. These day trips also did not have proper public purpose. The travel expenses associated with the overnight and day trips without proper public purpose totaled \$3,237 (see Exhibit D). In summary, of seventeen trips with overnight stays charged to the County, we identified at least fourteen that involved gambling.

Additionally, one of the Judge-Executive's County credit card accounts was charged \$30 at a BP station in Gatlinburg, Tennessee on Sunday, April 22, 2001. When asked about the Gatlinburg charge, the Judge-Executive stated that he had given \$30 cash to the Treasurer on Monday, April 23, 2001. We examined the cash receipts book and general ledger, which did not reflect any reimbursement for this charge. The Treasurer did not recall any occasions where the Judge-Executive gave him cash for reimbursements

According to *Funk v. Milliken*, Ky., 317 S.W.2d 499 (1958), an opinion of Kentucky's highest court, expenditures of public funds should be necessary, reasonable in amount, beneficial to the public, not predominantly personal in nature, and supported by adequate documentation. The travel expenses questioned in this report do not meet this standard and are therefore improper.

### *Recommendations*

We recommend that County officials:

- Use County credit cards and official vehicles for County business only;
  - Procure and retain receipts for all purchases made with County credit cards; and,
  - Require that all County personnel document the business purpose for any travel expenses incurred.
-

**Contracts worth over \$27,000 were arbitrarily awarded to the Judge-Executive's son-in-law and a campaign contributor.**

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The Judge-Executive circumvented bidding requirements and arbitrarily awarded contracts totaling \$27,010 to vendors with which he has conflicts of interests. During the past three years, the County has received federal grants totaling more than \$168,000 from Eastern Kentucky Pride, Incorporated (PRIDE). Three of these grant projects included contracts that were not bid even though the aggregate amount of work in each case exceeded the \$10,000 bidding threshold.

On these three projects the Judge-Executive unilaterally selected vendors, set contract amounts without negotiation, and unnecessarily awarded multiple contracts worth \$10,000 or less for clean-up work. These practices resulted in circumvention of bidding requirements. One of these vendors was the Judge-Executive's son-in-law, who received \$13,010 for clean-up work (see Exhibit P).

Another vendor selected was Herb's Contracting, which received \$14,000 for clean-up work (see Exhibit P). According to Kentucky Registry of Election Finance records, the owner of Herb's Contracting contributed \$500 to the Judge-Executive's campaign on April 27, 1998. This contribution represents twenty percent of the monetary contributions the Judge-Executive received from individuals. Herb's Contracting began performing work for the County in early 1999.

*The County made other payments totaling \$24,680 to the Judge-Executive's son-in-law without adequate supporting documentation.*

The County made three other payments to businesses owned by the Judge-Executive's son-in-law without adequate supporting documentation (see Exhibit Q). On March 11, 1999, the County paid Bradley Trucking \$8,360 and Little's Construction \$9,120. Neither the county nor the Judge-Executive's son-in-law could produce any supporting documentation for these payments. On October 26, 2000, the County paid Bradley Trucking \$7,200. According to the invoice this payment was for gravel. However, the invoice did not have the customary weight tickets attached.

*The County violated PRIDE grant conditions when the Judge-Executive awarded work to his son-in-law.*

PRIDE grant conditions require that local government agencies in receipt of a Community Grant award must adhere to 53 FR 8034, Uniform Administration for Grant and Cooperative Agreements, otherwise known as the OMB Common Rule. Section 36(b)(3) of the OMB Common Rule states:

No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

Such a conflict would arise when:

- (i) The employee, officer or agent,
- (ii) **Any member of his immediate family**, (emphasis added)
- (iii) His or her partner, or
- (iv) An organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award.

The County violated the OMB Common Rule when the Judge-Executive arbitrarily decided to split work on the PRIDE projects noted earlier, in order to avoid the \$10,000 bidding threshold, then awarded work to companies owned by his son-in-law. Such arbitrary action is also considered to restrict competition by Section 36(c)(1)(vii) of the OMB Common Rule.

*Improper reimbursement and matching were also noted in PRIDE grant projects.*

According to PRIDE's Community Grant Award Disbursement Procedures, award payments are to be made only for reimbursement of costs expended. While examining PRIDE grant activity, we noted the County consistently submitted invoices to PRIDE for "reimbursement" before expending payment. The County made seventeen payments totaling \$171,548 to vendors for PRIDE grant project work. Only one of these payments, in the amount of \$7,850, was made to the vendor prior to the County receiving reimbursement from PRIDE.

Additionally, while interviewing one County employee, we identified a discrepancy in the matching funds calculation. Although the County reported that one of its employees worked 120 hours on the PRIDE grant project at Beaver Creek, the employee was certain he did not work on this project. This discrepancy indicates that the County's in-kind matching calculation for this project was overstated by at least \$1,200.

In light of the non-compliance with grant conditions, conflicts of interests, and other related circumstances outside the scope of our work, we will refer these matters to the Office of the Inspector General, U.S. Commerce Department, for further examination.

### *Recommendations*

We recommend that County officials:

- Comply fully with all grant conditions;
- Refrain from splitting project work in order to avoid competitive bidding;
- Ensure compliance with requirements for competitive bidding; and
- Ensure that disbursements are adequately supported. .

### **A questionable county lease was not approved by Fiscal Court.**

The Judge-Executive signed a contract dated June 29, 1999 to lease a building, owned by his father-in-law, located on Highway 7 in Topmost, Kentucky for use as a remote location for the Knott County Ambulance Service (see Exhibit R). The County Property Valuation Administrator (PVA) had declared the building unusable in April 1998, as recorded on the Commercial Property Data Card (see Exhibit S).

The Judge-Executive never submitted the lease to the Fiscal Court for approval. The County spent \$15,924 improving the building, not counting the value of County employee labor, much of which was spent before the lease was signed. Despite this investment, the Commercial Property Data Card shows no improved value.

The Judge-Executive stated that the County only used this building for approximately eight months and vacated it around May 2001. The lease called for semi-annual payments of \$4,000 and specified that leasehold improvements become the property of the lessor. Only one lease payment, approved by the Fiscal Court, was ever paid to the lessor. The Judge-Executive said that the unpaid rent, approximately \$12,000, was not paid in order to offset the improvements the County made to the building. However, even given the offset of unpaid rent, the Judge-Executive's father-in-law benefited from an additional \$3,924 in improvements. The County later outsourced the ambulance service and the new operator chose not to use the building.

*Recommendations*

We recommend that County officials:

- Obtain Fiscal Court approval prior to entering into lease agreements and disclose any associated apparent or real conflicts of interests;
  - Update the Commercial Property Data Card for the former ambulance building to reflect improvements made; and,
  - Ensure that the County fully benefits from any future investments in leasehold improvements either through more advantageous lease terms, or assurances that leased structures will have a long-term use for the County.
- 

**E-911 service charge revenues in excess of \$33,000 were expended for purposes other than an emergency communications system.**

Knott County collects a monthly per telephone line surcharge to fund its E-911 capabilities. KRS 65.760(3) restricts the use of revenues from such a service charge, stating:

All revenues from a tax or fee expressly levied to fund 911 emergency services shall be expended solely for the establishment, operation, and maintenance of a 911 emergency communications system; this may include expenditures to train communications personnel and to inform the public of the availability and proper use of 911 service.

*Nearly \$20,000 of E-911 service charge revenues were improperly used to settle a civil lawsuit against the County, contrary to the advice of the County Attorney.*

On January 28, 1999, seven former County employees filed a civil action for wrongful termination (Lawsuit) against the County and the Judge-Executive. The Lawsuit was settled out of court on April 4, 2000, with three plaintiffs receiving \$20,000 each and four receiving \$21,000 each. The former E-911 Coordinator was among the plaintiffs, receiving a \$21,000 settlement, which was paid with E-911 service charge revenues on July 10, 2000.

The Judge-Executive and the former County Treasurer stated that the settlement was paid out of these revenues because it was considered back pay and the E-911 Coordinator's salary is paid out of these revenues. However, the plaintiffs' attorney indicated in a letter to the County Attorney that the former E-911 Coordinator's lost wages and benefits claim amounted to only \$1,175.21, leaving \$19,824.79 as punitive damages.

According to the County Attorney, he advised the Fiscal Court that using E-911 service charge revenues to pay the settlement was not appropriate. The Fiscal Court approved the settlement payment and the Judge-Executive directed the County Attorney to request an Attorney General's Opinion on the matter. A letter requesting the opinion was sent July 21, 2000 (see Exhibit T). According to the County Attorney, a response from the Attorney General has not yet been received.

**Unauthorized E-911 Expenditures**

Lawsuit settlement	19,825
Non-dispatcher training	9,000
Road signs & other	<u>4,322</u>
Total	<u>\$ 33,147</u>

In addition to the lawsuit settlement, expenditures during fiscal years 1999, 2000, and 2001 totaling \$13,322 were not authorized by KRS 65.760(3) and OAG 97-13. These expenditures paid for items such as emergency medical technician (EMT) training and street signs.

The Attorney General issued OAG 97-13, which expressly prohibited the use of E-911 service charge revenues for the purchase of street signs, because street signs are a part of the road system, rather than of the 911 emergency telephone service. EMT training, while crucial for the delivery of emergency services, does not meet the criteria set forth in OAG 97-13 either.

*Recommendations*

We recommend that County officials:

- Transfer \$33,147 to the E-911 Fund from an appropriate unrestricted fund as soon as funds permit; and,
- Ensure that all future disbursements of E-911 service charge revenues comply with KRS 65.760(3) and OAG 97-13.

**The County inappropriately used over \$9,800 in LGEA funds to pay punitive damages from a civil lawsuit.**

Five settlements involved in the Lawsuit totaling \$103,000 were paid with Local Government Economic Assistance (LGEA) funds. KRS 42.455(1) established an LGEA program within DLG to consist of a system of grants to local governments to improve the environment for new industry and to improve the quality of life for the residents. KRS 42.455(2) requires that LGEA funds be spent on the coal haul road system and other priority categories such as public safety, environmental protection, public transportation, health, and various social services. The letter from the plaintiffs' attorney to the County Attorney indicated that the lost wages and benefits claims associated with three of these settlements were less than the settlement amount,

indicating that \$9,823 of the settlements paid from LGEA funds represented compensation for punitive damages. This use of LGEA funds violates KRS 42.455(2).

*Recommendations*

We recommend that County officials:

- Transfer \$9,823 to the LGEA Fund from an appropriate unrestricted fund as soon as funds permit; and,
  - Ensure that future disbursements of LGEA funds comply with KRS 42.455(2).
- 

**The County loaned restricted funds to its General Fund without repaying it in fiscal year 2001.**

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According to DLG personnel, if counties use restricted funds for anything other than the designated purpose, the loan must be repaid to the restricted account within the same fiscal year. On September 29, 2000, the County transferred \$50,000 from the Road Fund, a restricted account, to the General Fund. On June 29, 2001, the County transferred \$53,000 from the LGEA Fund, another restricted account, to the General Fund. The former County Treasurer stated that the transfers were completed in order to avoid a negative fund balance in the General Fund, and that the loans had not yet been repaid. Additionally, DLG personnel reported that the County has transferred \$270,000 from the LGEA Fund to the General Fund in the first quarter of fiscal year 2002.

*Recommendations*

We recommend that County officials:

- Repay these loans and reimburse the Road and LGEA Funds as soon as funds permit;
  - Ensure that General Fund spending does not exceed available unrestricted funds in the future; and,
  - Ensure compliance with DLG inter-fund loan requirements.
- 

**The County underreported taxable payments to contractors on federal forms.**

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The Internal Revenue Service requires entities, including government agencies, to report certain payments of \$600 or more to non-employees. Payments for independent contractor services are among the types of payments that must be reported. We tested Form 1099-MISC reporting for a limited number of recipients.

The County has filed certain Forms 1099-MISC for 1999 and 2000. However, the County did not report the payments made to the Construction Group during 1999 and 2000 totaling \$679,417. According to the Construction Group Owner, none of his businesses are incorporated. Therefore these payments are required to be reported on Form 1099-MISC. The County also did not report \$10,000 paid to Jacobs Contracting, which is not incorporated, in 2000 for PRIDE grant clean-up work.

Additionally, the County understated amounts reported on Form 1099-MISC for the Judge-Executive's son-in-law. While payments to the Judge-Executive's son-in-law required to be reported totaled \$19,930 during 1999, the County only reported \$10,810 of these payments. The \$9,120 difference is equal to the unsupported payment made to Little's Construction March 11, 1999, noted earlier in this report.

### *Recommendations*

We recommend that County officials:

- Issue corrected Forms 1099-MISC for improperly excluded and understated amounts noted above; and,
  - Ensure that all required payments are reported accurately on Form 1099-MISC in the future.
- 

### **The County never implemented the Code of Ethics enacted in 1994.**

KRS 65.003, enacted in 1994, requires all cities and counties to adopt a code of ethics. The County fulfilled this requirement when it enacted its Code of Ethics in December 1994.

*A Knott County Ethics Commission has not been created and required financial disclosure reporting has not taken place.*

Although the County enacted its Code of Ethics in December 1994, which calls for a Knott County Ethics Commission, County officials acknowledge that none has ever been appointed. Required financial disclosures have also never been made. The Code of Ethics Section III(A) states:

The following individuals shall be required to file a financial disclosure statement:

1. Elected officers;
2. Candidates for elected office;

3. Management personnel such as chief deputies, department heads;
4. Officers and employees with procurement authority exceeding five hundred dollars (\$500) per purchase;
5. Members of boards and commission which set tax rates, have procurement authority, or vote to adopt budgets.

These financial disclosure statements are to be filed annually with the Knott County Ethics Commission and failure to file triggers a \$500 fine. The County's failure to fully implement the Code of Ethics demonstrates the absence of a commitment to ensure ethical behavior.

### *Recommendations*

We recommend that County officials:

- Appoint members to establish the Knott County Ethics Commission in accordance with the Code of Ethics; and,
  - Ensure that the appropriate individuals file delinquent financial disclosure statements required under the Code of Ethics, and that future filings are submitted in a timely manner.
- 

### **The County has not adequately safeguarded fuel supplies.**

The County maintains separate 2000-gallon tanks of gasoline and diesel for use in County vehicles. According to County officials, a key is necessary to access the pumps on each tank. An additional internal control over the fuel tanks is the maintenance of a fuel log to record fuel usage. The fuel log documents the date, vehicle number, type of fuel, number of gallons, department, and signature of the County employee.

We examined the fuel log and fuel-vendor invoices from April 2000. During this sample month, 1,149.8 gallons of gasoline and 1,146.4 gallons of diesel were signed out on the fuel log. However, our calculations indicate that the actual amount of fuel used for the month was 1,645.3 gallons of gasoline and 1,742.8 gallons of diesel. This results in 495.5 gallons of gasoline and 596.4 gallons of diesel that was used, but not accounted for during April 2000. Based on this sample month the controls in place do not appear to be operating effectively, preventing the County's fuel supplies from being adequately safeguarded.

*Recommendations*

We recommend that County officials:

- Ensure that all fuel used is properly accounted for in the log; and,
  - Ensure that access to the fuel pumps is granted only to County employees.
-

**EXHIBITS**



**EXHIBIT A**



**Construction Group Invoice Listing  
(through March 31, 2001)**

<u>Invoice Date</u>	<u>Vendor</u>	<u>Description</u>	<u>Invoice Amount</u>
2/1/1999	Don's Excavating	Gabion baskets, culverts and drilling at Pense Hollow, Windy Fork, Mullins Branch and Cave Branch	9,825.00
2/3/1999	Premier Construction	Gabion baskets culverts and drilling at Kelly Fork and Cave Branch	9,445.00
3/3/1999	Don's Excavating	Gabion baskets, guard rail, pipe, drilling, excavator and trucks at Clear Fork, Bear Fork, and Dry Creek	29,430.00
3/4/1999	Premier Construction	Gabion baskets at Mallie Fork and Gibson Branch	6,400.00
4/5/1999	Premier Construction	Gabion baskets, vertical steel and guard rail at Mousie	14,320.00
4/5/1999	Don's Excavating	Gabion baskets, backhoe, roller, excavator, hammer, truck and guard rail at Mallet Fork, Kelly Fork, and Lotts Creek	62,140.00
5/5/1999	Don's Excavating	Clear Fork and Indian Grave Road repairs	106,269.00
5/5/1999	Premier Construction	Gabion baskets, dozer, back hoe, and truck at Kelly Fork, Young's Fork, Clear Creek, and Big Fork	11,680.00
6/2/1999	Premier Construction	Channel line, baskets, excavator, back hoe and dozer at Bill D Branch	18,750.00
6/2/1999	Don's Excavating	Remove 500 ft of cliff line to widen roadway, add culvert, tree removal at Clear Fork	54,565.00
6/25/1999	Premier Construction	16 gauge pipe	435.45
6/29/1999	Premier Construction	.725 steel pipe	7,160.00
6/29/1999	Premier Construction	Coated 12 gauge and band	2,146.00
7/2/1999	Premier Construction	Pipe, bands, and steel	6,480.00
7/2/1999	Premier Construction	Culverts and bands	3,594.49
7/11/1999	Premier Construction	Baskets, hammer and excavator at Clear Fork	4,800.00
7/11/1999	Don's Excavating	Baskets, excavator, truck and backhoe - Trace and Potato Branch	31,025.00
7/23/1999	Don's Excavating	Repair broken roadway, 1800 ft of steel w/guardrail cribbing, stone for drainage, revegetation and road resurfacing on Quick Sand RD	47,000.00
Aug-99	Premier Construction	Pipe and banding	565.11
8/2/1999	Premier Construction	Culverts	740.00
8/2/1999	Premier Construction	Culverts and bands	570.50
8/2/1999	Premier Construction	Culverts and bands	8,041.10
8/3/1999	Premier Construction	Culverts and bands	1,322.25
8/4/1999	Premier Construction	Culverts and bands	502.75
8/4/1999	Premier Construction	Culverts and bands	797.25
8/6/1999	Premier Construction	Culverts and bands	1,700.05
8/9/1999	Premier Construction	Culverts	630.00
8/9/1999	Premier Construction	Culverts and bands	835.80
8/10/1999	Don's Excavating	Repairs to Ball, Caney, Freedom Branch and Gibson backhoe, excavator, dozer and truck; intall pipes, hammer road, stabilize banks	14,475.00
8/10/1999	Premier Construction	Repairs to Thornsbury and Caney Branch, hammer and install pipe	7,280.00
8/11/1999	Premier Construction	Pipe	248.00
8/11/1999	Premier Construction	Pipe	590.00
8/12/1999	Premier Construction	Pipe	308.00
8/24/1999	Premier Construction	Pipe and banding	254.61
8/30/1999	Premier Construction	Pipe	184.00
8/31/1999	Premier Construction	Pipe	972.40
9/1/1999	Premier Construction	Repair broken roadway at Clear Creek and Caney	8,900.00
9/1/1999	Don's Excavating	Repairs to Salisbury, Beaver, Hall Branch, and Cane Branch including hammer and 204 yds gabion baskets	24,170.00

Invoice Date	Vendor	Description	Invoice Amount
9/3/1999	Premier Construction	Pipe	1,527.50
9/7/1999	Premier Construction	Pipe for Garage	432.00
9/9/1999	Premier Construction	Pipe and banding for Cades Branch and Garage	653.86
9/14/1999	Premier Construction	Pipe and banding for Lotts Creek and Garage	2,687.81
9/16/1999	Premier Construction	Pipe and banding for Buck Branch, Lotts Creek, and Garage	739.83
9/17/1999	Premier Construction	Pipe for Garage	668.00
9/20/1999	Premier Construction	Pipe for Gravel Pile Beaver and Garage	248.00
9/22/1999	Premier Construction	Pipe for Dry Creek and Garage	170.00
9/22/1999	Premier Construction	Pipe and banding for Beaver Gravel Pile and Garage	254.61
9/30/1999	Premier Construction	Job #99036, Repairs to Youngs Fork, hammer and widen road, install culverts	14,700.00
9/30/1999	Don's Excavating	Job #99035, Clear Creek, Kelly Fork, Lotts Creek hammering and shoulder repairs	15,800.00
10/30/1999	Don's Excavating	Job #99037, Beaver Dry Creek repairs	16,400.00
11/8/1999	Don's Excavating	Carr Creek Hill Road repairs	24,800.00
11/30/1999	Premier Pipe Co.	Job #00003, steel material	4,020.00
11/30/1999	Don's Excavating	Job #00008, Mullins Branch Roaring Kelly	2,400.00
12/15/1999	Premier Pipe Co.	Job #99045, pipe and banding for Garage	3,869.65
12/15/1999	Premier Pipe Co.	Job #99044, pipe for Dry Fork, Big Branch and Gargage	12,362.93
12/15/1999	Premier Pipe Co.	Job #99041, pipe and banding for Puncheon, Ball, Beaver, Lotts Creek and Garage	4,165.88
12/15/1999	Premier Pipe Co.	Job #99042, pipe for Beaver, Mullins Branch, Ball, and Garage	5,041.80
12/31/1999	Premier Pipe Co.	Job #00004, steel material	4,720.21
12/31/1999	Don's Excavating	Job #00002, Hammer and widen road on Meadowlark	19,050.00
1/31/2000	Premier Pipe Co.	Job #00005, steel material	3,104.20
2/28/2000	Premier Pipe Co.	Job #00006, steel material	2,102.80
3/31/2000	Premier Pipe Co.	Job #00007, steel material	3,202.20
4/30/2000	Don's Excavating	Excavation, dug pipe out of creek at Clear Fork (per Eldon)	520.00
4/30/2000	Premier Pipe Co.	Job #00009, steel material	4,010.00
5/31/2000	Don's Excavating	Job #00013, install large steel pipe to build up road at Kelly Fork	4,690.00
5/31/2000	Don's Excavating	Job #00014, install large steel pipe at Big Fork	3,770.00
5/31/2000	Don's Excavating	Job #00016, excator and hammer, prepare for paving at Clear Fork	1,040.00
5/31/2000	Premier Pipe Co.	Job #00010, steel material	8,610.30
6/30/2000	Premier Pipe Co.	Job #00011, steel material	8,666.81
7/31/2000	Premier Pipe Co.	Job #00012, steel material	2,486.80
9/18/2000	Don's Excavating	Work done to Rocky Horse LN, Gibson Branch, Wilson Branch, Hollybush RD, Elkfort RD to prepare for asphalt	9,000.00
9/18/2000	Premier Construction	Road preparation for paving at Dick's Fork RD, Ash Bee RD, Trace RD, Fisty RD, Longhorn RD, Cockrells Trace, Stone RD	18,000.00
10/2/2000	Premier Construction	Three tankers for culverts	2,800.00
11/1/2000	Don's Excavating	Lowboy went to Frankfort to pickup loader	600.00
11/13/2000	Don's Excavating	Meadowlark bridge project	26,000.00
12/12/2000	Don's Excavating	Bearfork bridge project	26,000.00
1/18/2001	Don's Excavating	Three tankers and delivery from Lexington to Hindman	6,800.00
2/12/2001	Don's Excavating	Cordia School Project, walking track	9,000.00
3/12/2001	Don's Excavating	Repair two breaks at Clear Creek	11,600.00
			785,266.95

**EXHIBIT B**







**EXHIBIT C**



## Documented Gambling Activity

Date	Day of Week	Confirmed Time Range <sup>1</sup>	Casino	Membership Account Cards Used
6/25/1999	FRI		Caesars Indiana	DES Director
6/27/1999	SUN		Caesars Indiana	DES Director
7/4/1999	SUN		Caesars Indiana	DES Director
7/7/1999	WED		Caesars Indiana	DES Director
7/23/1999	FRI		Caesars Indiana	DES Director
8/5/1999	THU		Caesars Indiana	DES Director
8/18/1999	WED		Caesars Indiana	DES Director
9/8/1999	WED		Caesars Indiana	Construction Group Owner, DES Director
9/22/1999	WED		Caesars Indiana	Construction Group Owner
9/23/1999	THU		Caesars Indiana	Construction Group Owner, DES Director
10/7/1999	THU		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
10/20/1999	WED		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
11/2/1999	TUE		Caesars Indiana	Judge-Executive, DES Director
11/17/1999	WED		Caesars Indiana	Construction Group Owner, Judge-Executive
11/29/1999	MON		Caesars Indiana	Construction Group Owner, DES Director
12/7/1999	TUE		Caesars Indiana	Construction Group Owner, DES Director
12/11/1999	SAT		Caesars Indiana	Construction Group Owner
12/22/1999	WED		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
1/1/2000	SAT		Caesars Indiana	Construction Group Owner, DES Director
1/5/2000	WED		Caesars Indiana	Construction Group Owner
1/21/2000	FRI		Caesars Indiana	Construction Group Owner, DES Director
2/8/2000	TUE		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
3/8/2000	WED		Argosy	DES Director
4/11/2000	TUE		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
4/18/2000	TUE	10:58 a.m. - 2:03 p.m.	Argosy	Construction Group Owner, DES Director
6/23/2000	FRI		Caesars Indiana	Construction Group Owner, Judge-Executive
8/9/2000	WED		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
9/13/2000	WED	11:11 a.m. - 1:13 p.m.	Argosy	Construction Group Owner
9/28/2000	THU		Caesars Indiana	Construction Group Owner, DES Director
10/11/2000	WED		Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
10/17/2000	TUE	1:38 p.m. - 10:18 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
11/3/2000	FRI	11:35 a.m. - 4:28 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive, DES Director
11/8/2000	WED	1:33 p.m. - 7:49 p.m.	Belterra	Construction Group Owner, Judge-Executive, DES Director
11/8/2000	WED		Argosy	Construction Group Owner
12/6/2000	WED	12:56 p.m. - 6:04 p.m.	Argosy	Construction Group Owner
12/26/2000	TUE	10:59 a.m. - 4:05 p.m.	Argosy	Construction Group Owner, Judge-Executive
1/5/2001	FRI	12:55 p.m. - 5:29 p.m.	Argosy	Construction Group Owner, Judge-Executive
1/19/2001	FRI	1:22 p.m. - 3:39 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
2/13/2001	TUE	1:17 p.m. - 2:51 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
2/28/2001	WED	4:52 p.m. - 8:00 p.m.	Argosy	Construction Group Owner, Judge-Executive
3/9/2001	FRI	5:29 p.m. - 6:42 p.m.	Caesars Indiana	Judge-Executive
3/16/2001	FRI	3:51 - 6:14 p.m.	Belterra	Construction Group Owner, Judge-Executive
3/28/2001	WED	2:24 p.m. - 11:45 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
3/29/2001	THU	1:06 p.m. - 2:32 p.m.	Caesars Indiana	Construction Group Owner
3/30/2001	FRI		Caesars Indiana	Judge-Executive
4/7/2001	SAT	1:20 p.m. - 4:51 p.m.	Caesars Indiana	Construction Group Owner
5/9/2001	WED	11:01 a.m. - 4:16 p.m.	Argosy	Construction Group Owner, Judge-Executive
5/18/2001	FRI	11:10 a.m. - 4:16 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
5/24/2001	THU	11:34 a.m. - 12:17 p.m.	Belterra	Construction Group Owner, Judge-Executive
5/30/2001	WED	11:28 a.m. - 11:43 a.m.	Caesars Indiana	Judge-Executive
6/7/2001	THU	1:17 p.m. - 1:31 p.m.	Caesars Indiana	Construction Group Owner
6/15/2001	FRI	11:16 a.m. - 11:27 a.m.	Argosy	Construction Group Owner
6/20/2001	WED		Caesars Indiana	Construction Group Owner
7/11/2001	WED	3:04 p.m. - 5:17 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
7/26/2001	THU	11:14 a.m. - 4:54 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
7/28/2001	SAT	5:35 p.m. - 10:28 p.m.	Belterra	Judge-Executive
7/29/2001	SUN	12:41 p.m. - 1:06 a.m.	Belterra	Judge-Executive
8/7/2001	TUE	7:06 p.m. - 10:11 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
8/14/2001	TUE	1:31 p.m. - 8:16 p.m.	Caesars Indiana	Construction Group Owner, Judge-Executive
8/15/2001	WED	1:12 p.m. - 2:25 p.m.	Caesars Indiana	Construction Group Owner
9/6/2001	THU	1:44 p.m. - 4:52 p.m.	Belterra	Construction Group Owner, Judge-Executive

<sup>1</sup> Time of day detail for earlier activity is generally available, but not readily accessible due to archival policies.



**EXHIBIT D**



### Judge-Executives Travel Expenses With No Proper Public Purpose

Vendor	Date	Amount
Holiday Inn - Louisville, KY	9/22/1999	9.28
Shoney's - Louisville, KY	9/22/1999	6.97
Frisch's - Louisville, KY	9/24/1999	4.77
Holiday Inn - Louisville, KY	9/24/1999	305.60
Citgo - Waddy, KY	9/24/1999	10.44
Galt House Hotel - Louisville, KY	10/22/1999	102.46
Galt House Hotel - Louisville, KY	10/22/1999	108.02
Exxon - Lexington, KY	11/2/1999	32.35
Marathon - Beaver, KY	11/2/1999	18.60
Shell - Stanton, KY	12/22/1999	38.16
Shell - Campton, KY	12/23/1999	27.02
Wyndham Hotels Garden - Lexington, KY	12/24/1999	65.67
Marathon - Beaver, KY	1/5/2000	27.75
Holiday Inn - Frankfort, KY	1/6/2000	167.63
Shell - Frankfort, KY	1/6/2000	34.91
Shell - Winchester, KY	2/8/2000	32.96
Marathon - Beaver, KY	2/9/2000	28.51
Shell - Winchester, KY	4/11/2000	32.93
Marathon - Bulan, KY	6/23/2000	24.99
Marathon - Bulan, KY	6/23/2000	36.19
Marathon - Beaver, KY	9/27/2000	35.82
Outback Steakhouse - Louisville, KY	9/27/2000	27.94
Holiday Inn, Louisville	9/28/2000	162.81
Thornton - Louisville, KY	9/28/2000	16.91
Shell - Frankfort, KY	9/28/2000	32.53
Marathon - Beaver, KY	9/29/2000	32.17
BP Oil - Martin, KY	10/11/2000	38.51
BP Oil - Stanton, KY	10/11/2000	18.15
Shell - Hindman, KY	10/12/2000	35.06
Chevron - Campton, KY	10/17/2000	54.06
Hyatt Hotel, Louisville	10/18/2000	16.99
Hyatt Hotel, Louisville	10/18/2000	33.07
Hyatt Hotel, Louisville	10/18/2000	219.10
Hyatt Hotel, Louisville	10/18/2000	264.18
Shell - Allen, KY	11/3/2000	29.61
Shell - Stanton, KY	11/3/2000	33.56
Citgo - Prestonburg, KY	1/4/2001	25.86
BP Oil - Florence, KY	1/5/2001	36.10
BP Oil - Salyersville, KY	1/19/2001	30.74
Shell - Stanton, KY	1/19/2001	36.08
Applebees - Frankfort, KY	2/28/2001	29.20
Shell - Winchester, KY	2/28/2001	33.43
Shell - Stanton, KY	2/28/2001	21.30
BP Oil - Hindman, KY	3/8/2001	34.00
BP Oil - Winchester, KY	3/9/2001	33.62
Shell - Stanton, KY	3/28/2001	39.13
BP Oil - Simpsonville, KY	3/29/2001	38.05
Executive West Hotel, Louisville	3/29/2001	33.71
Executive West Hotel, Louisville	3/29/2001	62.92
Executive West Hotel, Louisville	3/29/2001	63.42
Shell - Stanton, KY	5/9/2001	27.69
Speedway - Dry Ridge, KY	5/9/2001	24.85
Exxon - Hindman, KY	5/17/2001	43.44
Shell - Hindman, KY	5/17/2001	25.20
Thornton - Louisville, KY	5/18/2001	39.55
Shell - Stanton, KY	5/24/2001	37.20
Shell - Winchester, KY	5/24/2001	33.37
Marathon - Beaver, KY	5/29/2001	38.90
Shell - Winchester, KY	5/30/2001	39.21
Shell - Campton, KY	7/11/2001	24.72
Shell - Campton, KY	7/11/2001	39.77
Shell - Stanton, KY	7/11/2001	31.20
Marathon - Beaver, KY	7/12/2001	20.33
Marathon - Beaver, KY	7/26/2001	30.50
Shell - Frankfort, KY	7/26/2001	27.23
Shell - Frankfort, KY	9/6/2001	33.14
Exxon - Allen, KY	9/6/2001	37.40
		3,236.94



**EXHIBIT E**



11/30/2001 09:03

1-502-573-0175

DEPT FOR LOCAL GOV

PAGE 02

Department of Local Government  
1024 Capital Center Drive - Ste 340  
Frankfort, KY 40601-8204

Training and ADD Services  
HB 810 Registration  
KACo - 25<sup>th</sup> Annual Conference  
November 17-19, 1999

12

Check All Sessions Attended

- Americans with Disabilities Act
- Overview of Dealing with the Media
- Kentucky Jail Standards Commission Training
- County Liability Sovereign Immunity
- Procurement/Bid Letting
- Year 2000 Contingency Planning/Roundtables
- Lobbying Your Legislator

I hereby certify that I personally attended each checked session as listed above.

NAME (Please Print): Donnie Newsome

Name (Signature): Donnie Newsome

COUNTY: KNOTT

Office (Circle):

<input checked="" type="radio"/> Judge/Executive	<input type="radio"/> Magistrate	<input type="radio"/> Commissioner
<input type="radio"/> Sheriff	<input type="radio"/> Clerk	<input type="radio"/> Jailer

## Kentucky Association of Counties 25<sup>TH</sup> Annual Conference & Exposition AGENDA

11/30/2001 09:03 1-502-573-0175

DEPT FOR LOCAL GOV

PAGE 03

### Wednesday, November 17, 1999

- 2:00 - 4:30 **Dealing with the Media \*** - Carroll Ford (2<sup>nd</sup> floor)  
Jay Blanton, Eric Gregory and Carla Blanton, The Preston Group
- 3:00 - 7:30 **Exhibits Open** - Exhibit Hall (2<sup>nd</sup> floor)
- 4:30 - 5:30 **Kentucky Jail Standards Commission Training \*** - Carroll Ford (2<sup>nd</sup> floor)  
Doug Sapp, Commissioner, Department of Corrections
- 5:30 - 7:30 **Membership Appreciation Reception** - Exhibit Hall (2<sup>nd</sup> floor)  
Sponsored by: Anthem Blue Cross/Blue Shield  
Fifth Third Bank of Central Kentucky  
KACO Leasing Trust (CoLT)  
Microsource Corporation.
- Entertainment: *Walker & Kays*  
Sponsored by: DLR Group, Architects  
H.G. Shaw Company Equipment Sales, Inc.
- 8:00 - ??? **Hospitality Suites Open**

### Thursday, November 18, 1999

- 8:00 - 2:00 **Conference Registration** (1<sup>st</sup> floor)
- 8:00 - 4:00 **Exhibits Open** - Exhibit Hall (2<sup>nd</sup> floor)
- 8:00 - 9:00 **Continental Breakfast** - Exhibit Hall (2<sup>nd</sup> floor)  
Sponsored by: CSX Corporation  
Denning, Malone, Livesay & Osbroff, CPAs  
KACO All Lines Fund (KALF)  
McBrayer, McGinnis, Leslie & Kirkland
- 9:00 - 10:00 **County Liability/Sovereign Immunity \*** - Carroll Ford (2<sup>nd</sup> floor)  
Charlie English - English, Lucas, Priest & Owsley

### Wednesday, November 17, 1999

- 8:00 - 3:00 **Exhibitor Set-up** - Exhibit Hall
- 10:00 - 4:00 **Conference Registration** (1<sup>st</sup> floor)
- 10:00 - 11:00 **Kentucky Jailers' Association** - Stanley (3<sup>rd</sup> floor)
- 10:00 - 11:30 **Joint Meeting of KMCA & KCJEA** - McCreary (3<sup>rd</sup> floor)
- 10:00 - Noon **Kentucky Sheriffs' Association** - Morrow (3<sup>rd</sup> floor)
- 10:30 - 11:30 **KCJEA General Membership Meeting** - Taylor (3<sup>rd</sup> floor)  
*Election of Officers*
- 11:30 - 12:30 **Kentucky Coal County Coalition Meeting** - Beckham (3<sup>rd</sup> floor)

LUNCH ON YOUR OWN

- 12:45 **Opening Session** - Carroll Ford (2<sup>nd</sup> floor)  
Welcome: Rebecca Jackson, Jefferson County Judge/Executive  
National Anthem: Finish Line Quartet
- 1:00 - 4:30 **Kentucky Association of County Treasurers and Finance Officers** - Jones (3<sup>rd</sup> floor)
- 1:00 - 2:00 **Americans with Disabilities Act \*** - Carroll Ford (2<sup>nd</sup> floor)  
Tina Johnson, Director of Communications & Recognition, Personnel Cabinet

**EXHIBIT F**



CPPRB060

TRIP HISTORY

9/17/01 08:53:37

290862 DONNIE D. NEWSOME  
CASH PLAYER

HINDMAN

KY

REP 999 REMARK

		*** All Totals ***				
Trip Start	12/22/1999	11/17/1999	11/02/1999	Total 2001	Total 2000	
Trip End	12/22/1999	11/17/1999	11/02/1999	T/D 11 11	7 7	
Amt Marker						
Est Comps.						
Wager.....	2	4	3			
Time.....	6:42	10:39	9:12	13:46	10:39	
Daily Theo	880	1,944	1,401	113	253	
Total Theo	880	1,944	1,401	1,252	1,777	
Buyin.....		200				
Walk.....						
Pay outs..		3,150	400	5,010	1,590	
Win/Loss..	2,498-	3,394-	2,425-	1,125	2,722-	
PLoss/0Rtg	/ 6	/ 5	/ 5	/ 8	/ 8	
Sett Comps				135	400	

F2=Previous F3=Exit F7=Prev Acct F8=Next Acct F9=Name Search F10=Comp Eval  
 F11=Joint F12=Cancel F13=Change Type F14=Mrkt Codes F24=More Keys  
 You have reached the end of the file



**EXHIBIT G**



1200 - 504 = \$816.00

3232  CORRECTED

Type or Print PAYER'S name, address, city, state, zip code <b>RDI \ Caesars Riverboat Casino, LLC 11999 Avenue of Emperors Elizabeth, IN 47117</b>		1 Gross winnings <b>1200-</b>	2 Federal income tax withheld <b>336-</b>
Federal identification number [REDACTED]		3 Type of wager <b>1102</b>	4 Date won <b>11/17/99</b>
Telephone number [REDACTED]		5 Transaction <b>042003</b>	6 Race [REDACTED]
Type or Print WINNER'S name, address, city, state, zip code <b>DONNIE D. NEWSOME P.O. BOX 505 HINDMAN, KY 41822</b>		7 Winnings from identical wagers <b>17.00</b>	8 Cashier <b>CA1530</b>
9 Winner's taxpayer identification no. [REDACTED]		10 Window <b>ES3</b>	11 First I.D. <b>KY 45</b>
12 Second I.D. [REDACTED]		13 State Payer's state identification no. [REDACTED]	14 State income tax withheld <b>48-</b>

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

Signature: *Donnie Newsome* Date: *[REDACTED]*

OMB No. 1545-0238  
**1999**  
**Form W-2G**  
**Certain Gambling Winnings**  
For Privacy Act and Paperwork Reduction Act Notice and instructions for completing this form, see the 1999 instructions for Forms 1099, 1098, 5498, and W-2G.  
File with Form 1096.  
**Copy A**  
For Internal Revenue Service Center

Form W-2G 41-852411 Department of the Treasury - Internal Revenue Service

**CAESARS** # 816 @

INDIAN  
**ZONE-04 LOC-2003 JACKPOT PAYOUT SLIP** *after taxes*  
REQUESTER-REP SUP MIKE JONES 2218  
LICENSE #- 1530-02  
DATE-11/17/99 TIME-17:01:38 SHIFT-S  
ASSET- 1102 ZONE/LOCATION-04/2003  
AMOUNT- 1,200.00  
METHOD OF PAYMENT-CASH  
ONE THOUSAND TWO HUNDRED DOLLARS & 00 CENTS

DENOMINATION- 1.00 T  
LINE-01 COINS PLAYED 02  
COMBINATION- WS  
DOCUMENT # - 176651  
WINDOW # - F-60  
PREPARER-APITTMAN

CAGE SIGNATURE *A Pittman 365* LICENSE NO. [REDACTED]  
SLOT SIGNATURE *T. Jones 3687* LICENSE NO. [REDACTED]  
SECURITY SIGNATURE *J. [REDACTED] 3691* LICENSE NO. [REDACTED]  
SUPER/MANAGER SIGNATURE *[REDACTED] CA1530* LICENSE NO. [REDACTED]

CAGE [REDACTED]



**EXHIBIT H**



2000 Governor's Highway Safety Summit  
 "Working Together to Save Lives"  
 Date(s): November 8-9, 2000

6.5

Name: Donnie Newsome  
 County: Knott  
 Office: Co. Judge Exec

Event	Day	Hours	Initial
The State & National Perspective of Highway Safety	November 8, 2000 1:30-2:45pm	1.25	JP
Local Perspectives of Highway Safety	3:00-3:45pm	.75	JP
Safety Policy & Communication	3:45-4:30pm	.75	JP
Wrap Up & Closing	4:30-5:30pm	1.00	JP
#Enforcement Strategies	November 9, 2000 8:30-10:30am	2.00	
#Policy, Planning & Coordination	8:30-10:30am	2.00	JP
#Safety Hazard Elimination Engineering Perspectives	8:30-10:30am	2.00	
Call to Action	10:45-11:30pm	.75	JP

#Check one ONLY

I hereby certify that I attended the above-initialed training events.

Signature Donnie Newsome Title Co Judge  
 Phone # 606-785-5592 Date 11-9-00

The signed proof of attendance form must be turned in to the Training Branch of DLG. Faxed or xeroxed copies will not be accepted.

Mail to: Training Branch  
 Department for Local Government  
 1024 Capital Center Dr - Ste 340  
 Frankfort, KY 40601-8204



**EXHIBIT I**



08/06/2001 13:49 FAX  
CPCMR010

\*\*\*\* BELTERRA LIVE SYSTEM\*\*\*\*

007

9/06/01 9:43 AM

Request For Patron Year End Gaming Win/Losses

26837

DONNY

NEWSOME

COURT ST BOX 505

Birth Date

Phone #

606-785-5592

HINDMAN

KY 41822-0000

Social Security Number

Outstanding Balances Owed

0

Dates letters last requested for selected year 2000

Letter 1  
0/00/00

Letter 2  
0/00/00

Letter 3  
0/00/00

Letter 4  
0/00/00

YTD Win/Loss  
547.00-

Enter the desired letter type (1 2 3 4)

Letters 1=Gaming Info 2=Balance Due 3=Insufficient Info 4=Early Request

F3=Exit F10=Update Account F12=Previous Enter/Request Letter

08/06/2001 14:19 FAX

004

CPRT730 \*\*\*\* BELTERRA LIVE SYSTEM\*\*\* 9/06/01 2:11 PM

Patron Slot Detail Ratings

Patron Number 26837 Name

Start Date	Start Time	Zn/Loc	Asset	Den Cde	Time Plyed	C In	O In	I In	N In	Pulls /Min.	Coin Out	Theo WinLoss
	19:30	C 1206	352	Q	:19	159	100				120	12
	18:40	F 1106	886	1	:07	254	100				54	12
	18:32	F 1203	889	1	:05	198	100				80	7
	18:06	A 603	55	1	:16	509	100				404	20
	17:59	A 602	54	1	:07	212	100				162	10
	17:02	F 312	809	1	:04	174	98				134	27
	16:58	F 1208	892	H	:02	37	100				17	2
	16:42	F 1107	883	1	:01	32	100				12	1
	16:35	F 1106	886	1	:05	206	100				64	10
	15:50	C 1306	358	H	:04	107	99				59	7
	15:38	C 1306	358	H	:05	137	100				90	9
	14:47	C 1306	358	H	:32	714	100				583	50
	14:15	C 1410	373	H	:20	347	100				301	21
	13:56	B 402	134	5	:01	130	100				30	5
	13:55	B 304	124	5	:01	100	100					4

More...

Play Type S Trip Date  
 Fl=Key Desc 1 3 4 5 6 8 9 12 13 14 15 16 17 19 20 21 22 23

08/06/2001 14:19 FAX

005

CPRT730 \*\*\*\* BELTERRA LIVE SYSTEM\*\*\* 9/06/01 2:11 PM

Patron Slot Detail Ratings

Patron Number 26837 Name

Start Date	Start Time	Zn/Loc	Asset	Den Cde	Time Plyed	C In	O In	I In	N In	Pulls /Min.	Coin Out	Theo WinLoss
11/08/00	13:33	B 1507	233	1	:21	668	100				487	47
-----						50	3984	39	-----		2597	244

More...

Play Type S Trip Date  
 Fl=Key Desc 1 3 4 5 6 8 9 12 13 14 15 16 17 19 20 21 22 23

**EXHIBIT J**



## Governor's Local Issues Conference August 13-15, 2001



County Elected Official: Newsome, Donnie  
 Training ID #: 443  
 Office: Knott County Judge/Executive

CONFERENCE TRAINING EVENT	TIME	HOURS	INITIAL EVENT(S) ATTENDED
<b>Monday, August 13</b>			
KY Civil Rights Act & Local Officials Responsibilities Kentucky Human Rights Commission	9:00am - 10:00am	1.00	
Renaissance Kentucky Training CDBG 101	10:00am - 11:30am	1.50	
How Are We Doing? A New Century Update "Meet the Press" with Al Smith and Panelists	1:30pm - 3:30pm	2.00	DN
Family Courts In Kentucky's Communities Chief Justice Lambert, Administrative Office of the Courts	3:45pm - 4:45pm	1.00	DN
<b>Tuesday, August 14</b>			
"Smart Growth" Crit Luallen, Secretary of the Cabinet	9:00am - 10:00am	1.00	DN
Local Leadership in the 21 <sup>st</sup> Century Sylvia Lovely, Kentucky League of Cities	10:00am - 10:45am	.75	DN
Area Development District Panel: Legislation 2002 Moderator: Jack Couch, Kentucky Council of ADDs	11:00 - Noon	1.00	DN
Emergency Management Panel: Local Issues Moderator: Ron Padgett, Division of Emergency Management	1:45pm - 2:45pm	1.00	DN
Governor's Forum: Issues & Answers Governor Paul E. Patton	3:00pm - 5:00pm	2.00	DN
<b>Wednesday, Aug. 15</b>			
Legislative 2001 Review and 2002 Preview Representative Jody Richards, Senator David Williams	9:00am - 10:00am	1.00	DN
Census 2000 Sue Hardy, U.S. Dept. of Commerce Amy Reece, Partnership/Data Services Specialist	10:00am - 11:00am	1.00	DN
GASB 34 Lonnie Campbell, Division of Financial Services	11:00am - 11:45am	.75	DN

I hereby certify that I attended the above initialed training events.

Signature: Donnie Newsome Date: 8-15-01

Upon completion of your training activities and prior to leaving the 2001 Local Issues Conference, return this form, completed, signed and dated to any representative of the Department for Local Government.

Department for Local Government, Division of Local Resources  
  
 Junior Wright, Director



115



**EXHIBIT K**





**THE  
GALT HOUSE HOTEL**  
FOURTH STREET AT RIVER  
LOUISVILLE, KENTUCKY 40202

NEWSOME, DONNIE  
54 W MAIN ST  
HINDMAN, KY  
41822

ARRIVAL	8/14/01
DEPARTURE	8/15/01
NO. IN PARTY	2
RATE	.00

ACCOUNT NO. 910053      ROOM NO. 1825

NO.	DATE	DESCRIPTION	AMOUNT
STANDARD			
1	8/14/01	ROOM 1825 1278	\$82.00
2	8/14/01	STATE TAX 1825 1279	\$5.22
3	8/14/01	LICENSE FEE 1825 1280	\$4.92
4	8/15/01	MASTERCARD 1825 1825	\$92.14CR
		C/O Clerk-TLC Time-12*28 BALANCE DUE *	\$ .00

Company	Street
City	State
	Zip Code

Regardless of charge instructions, I acknowledge the above as personal indebtedness.

Guest Signature \_\_\_\_\_



**EXHIBIT L**





elan

September Statement for activity from Aug. 15, 2001 through Sep. 14, 2001  
 KNOTT CO FISCAL COURT (CPN 54955)

Inquiries: 1-800-558-3424  
 BUS 128 08 Page 1 of 2

Your **MASTERCARD BUSINESS** account at a glance ... Account: [REDACTED]

**Activity Summary**

Previous Balance.....	\$981.56
Payments and Credits.....	\$709.75
Purchases, Cash, and Debits.....	\$639.74
FINANCE CHARGES.....	\$18.73
<b>New Balance.....</b>	<b>\$930.28</b>

**Credit and Payment Information**

Credit Line.....	\$14,000.00
Available Credit.....	\$13,069.72
Minimum Payment Due (Current Month).....	\$19.00
Minimum Payment Due (Past Due).....	\$0.00
<b>Total New Minimum Payment Due.....</b>	<b>\$19.00</b>
Payment Due Date.....	Oct. 09, 2001

To reduce or avoid paying additional finance charges on your purchase balance, pay the total new balance of \$930.28 by 10/09/01.

**Transactions** NEWSOME, DONNIE D Credit Limit \$3000

Post Date	Trans Date	Ref. Nbr	Description of Transaction	Amount	Notation
08/16	08/14	1020	MARATHON ASHLAND 03214 BEAVER	\$33.50	
08/17	08/15	7011	SHELL NO.51629200059 FRANKFORT	\$41.82	
08/17	08/16	1624	GALT HOUSE HOTEL LOUISVILLE	\$92.14	
08/20	08/17	7007	SHELL NO 51637400014 HINDMAN	\$32.51	
08/20	08/17	1000	SHELL NO.51629200059 FRANKFORT	\$21.80	
08/22	08/20	1035	MARATHON ASHLAND 03214 BEAVER MERCHANDISE/SERVICE RETURN	\$66.40	CR
08/22	08/20	1028	MARATHON ASHLAND 03214 BEAVER	\$56.40	
08/22	08/20	1044	MARATHON ASHLAND 03214 BEAVER	\$33.20	
08/23	08/22	7006	SHELL NO.51629200059 FRANKFORT	\$27.69	
08/23	08/22	7001	SHELL NO.51671100017 STANTON	\$29.49	
08/27	08/25	1018	MARATHON ASHLAND 03214 BEAVER KY	\$32.43	
08/30	08/28	5170	BP OIL 44911949 MARTIN KY	\$40.44	
08/31	08/29	7016	SHELL NO 51671100017 STANTON	\$27.91	
09/04	08/31	6960	BP OIL 44911949 MARTIN	\$5.01	
09/04	09/01	1022	MARATHON ASHLAND 03214 BEAVER	\$35.09	
09/10	09/06	1014	SHELL NO.51629200059 FRANKFORT	\$33.14	
09/10	09/06	0213	EXXONMOBIL75 5000005 BEAVER	\$37.40	
09/10	09/08	1022	MARATHON ASHLAND 03214 BEAVER	\$24.51	
09/13	09/12	0094	MARATHON ASHLAND 03214 BEAVER	\$25.26	
<b>Total for account</b>				<b>\$573.34</b>	

01-5201-576

PAID  
 CR NO. 004711  
 DATE 10-10-01

Continued on Next Page

E-76



**EXHIBIT M**



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CPPRB022          SLOT RATING MAINTENANCE          10/16/01 13:18:19 DISPLAY
      290862 DONNIE D. NEWSOME          HINDMAN          KY
CASH PLAYER          REP 999  REMAR
Press Enter to continue.          Trip Dates: 08/14/2001 - 08/14/200
Date  081401          Shift  1
Buy-In    Cash    Money Plays  Chips  House Credit  Credit Card
                                     RATING RESULTS
Wager  _____  Game Speed  M          Play Time          :23
Start  1353  Stop  1416  Rater  SMS SYS.    Handle             1033.00
Jackpot _____  W/L  L  _____  497 Walk _____  Theoretical        52.37
                                     Entered By         SMS SYS.
                                     Changed By         01/08/2014

F3=Exit  F4=Prompt  F7=Previous  F8=Next  F9=Name Search  F12=Cancel
You may not Edit this automated Slot Rating.

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CPPRB022          SLOT RATING MAINTENANCE          10/16/01 13:18:12 DISPLAY
      290862 DONNIE D. NEWSOME          HINDMAN          KY
CASH PLAYER          REP 999  REMAR
Press Enter to continue.          Trip Dates: 08/14/2001 - 08/14/200
Date  081401          Shift  1
Buy-In    Cash    Money Plays  Chips  House Credit  Credit Card
                                     RATING RESULTS
Wager  _____  Game Speed  M          Play Time          3:32
Start  1417  Stop  1749  Rater  SMS SYS.    Handle             3046.00
Jackpot _____  W/L  L  _____  702 Walk _____  Theoretical        229.21
                                     Entered By         SMS SYS.
                                     Changed By         01/08/2014

F3=Exit  F4=Prompt  F7=Previous  F8=Next  F9=Name Search  F12=Cancel
You may not Edit this automated Slot Rating.

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**EXHIBIT N**



Belterra Resort Casino, September 6, 2001, 4:52 p.m.





**EXHIBIT O**



Comparison of Hotel Stays Charged to the Judge-Executive's County Credit Cards to Documented Gambling Activity

Hotel Location	Transaction Date	Date(s) of Stay <sup>2</sup>	Total Rooms Registered <sup>2</sup>	Rooms Registered With Double Occupancy <sup>2</sup>	Registered Individuals <sup>2</sup>	Transaction Amount	Casino	Date(s) of Membership Account Card Usage	Proximate Gambling Activity
1) Louisville	9/24/1999	10/20/1999	1	1	Judge-Executive	305.60	Caesars Indiana	9/22/99, 9/23/99	Construction Group Owner
2) Louisville	10/22/1999	10/20/1999	1	1	DES Director	102.46	Caesars Indiana	10/20/1999	Construction Group Owner, Judge-Executive, DES Director
3) Louisville	11/20/1999	11/17/1999	2	2	Judge-Executive, DES Director	448.39	Caesars Indiana	11/17/1999	Construction Group Owner, Judge-Executive
4) Lexington	12/24/1999	12/22/1999	1	0	Judge-Executive, DES Director	65.67	Caesars Indiana	12/22/1999	Construction Group Owner, Judge-Executive, DES Director
5) Frankfort	1/6/2000	1/5/2000	2	1	Director	167.63	Caesars Indiana	1/5/2000	Construction Group Owner
6) Lexington	3/9/2000	3/10/2000				31.64			
7) Paducah	7/13/2000	7/12/2000	1	1	Judge-Executive	120.16	Argosy	3/8/2000	DES Director
8) Lexington	8/10/2000					286.25			
9) Lexington	8/10/2000					138.29			
10) Lexington	8/10/2000					22.26			
11) Lexington	8/12/2000					36.36			
12) Lexington	8/14/2000					80.85			
13) Louisville	8/23/2000	8/21/2000	2	2	Judge-Executive, DES Director	84.53	Caesars Indiana	8/9/2000	Construction Group Owner, Judge-Executive, DES Director
14) Louisville	8/28/2000	10/17/2000	1	0	DES Director	77.86			
15) Louisville	10/18/2000	10/17/2000	1	1	Judge-Executive	185.93	Caesars Indiana	9/28/2000	Construction Group Owner, DES Director
16) Louisville	10/18/2000	10/17/2000	1	0	DES Director	162.81	Caesars Indiana	9/28/2000	Construction Group Owner, DES Director
17) Lexington	11/9/2000	11/8/2000	1	0	Judge-Executive	16.99			
18) Lexington	11/10/2000	11/8/2000	1	0	DES Director	33.07			
19) Covington	12/7/2000	12/6/2000	1	0	DES Director	219.10	Caesars Indiana	10/17/2000	Construction Group Owner, Judge-Executive
20) Prestonsburg	12/17/2000	12/16/2000	1	0	Judge-Executive	264.18	Caesars Indiana	10/17/2000	Construction Group Owner, Judge-Executive
21) Louisville	3/29/2001	3/28/2001	1	0	Judge-Executive	42.19	Belterra	11/8/2000	Construction Group Owner, Judge-Executive, DES Director
22) Louisville	3/29/2001	3/28/2001	1	0	DES Director	173.03	Argosy	11/8/2000	Construction Group Owner
23) Lexington	6/20/2001	6/17/2001	1	0	Judge-Executive	173.78	Argosy	11/8/2000	Construction Group Owner
24) Louisville	8/16/2001	8/14/2001	1	1	Judge-Executive	88.19	Argosy	12/6/2000	Construction Group Owner
25) Louisville	3/29/2001	3/28/2001	1	0	Judge-Executive	107.24	Argosy	12/6/2000	Construction Group Owner
26) Louisville	3/29/2001	3/28/2001	1	0	DES Director	278.30			
27) Lexington	6/20/2001	6/17/2001	1	0	Judge-Executive	33.71	Caesars Indiana	3/28/2001	Construction Group Owner, Judge-Executive
28) Louisville	8/16/2001	8/14/2001	1	1	Judge-Executive	62.92	Caesars Indiana	3/29/2001	Construction Group Owner
29) Lexington	8/16/2001	8/14/2001	1	1	Judge-Executive	63.42	Caesars Indiana	6/7/2001	Construction Group Owner
30) Louisville	8/16/2001	8/14/2001	1	1	Judge-Executive	73.14	Caesars Indiana	6/7/2001	Construction Group Owner
31) Louisville	8/16/2001	8/14/2001	1	1	Judge-Executive	92.14	Caesars Indiana	8/14/2001	Construction Group Owner, Judge-Executive

4,146.11

<sup>2</sup> Guest portfolios were not obtained for some hotel stays, generally due to the age of the transactions.



**EXHIBIT P**



**Payments for PRIDE Grants Involving Conflicts of Interests**

<b>PRIDE Grant</b>	<b>Invoice Date</b>	<b>Contractor</b>	<b>Payment Amount</b>
Spring 1999	none	Little's Construction	3,010.00 (A)
Spring 1999	4/21/1999	Herb's Contracting	4,000.00 (B)
Spring 1999	4/21/1999	Benco Transport, Inc.	9,400.00
Spring 1999	6/8/1999	Adams Construction Company	6,640.00
CF99-29	4/26/2000	Jacob's Contracting	10,000.00
CF99-29	4/26/2000	Little's Contracting	10,000.00 (A)
CF99-31	3/30/2000	Herb's Contracting	10,000.00 (B)
CF99-31	3/28/2000	Benco Transport, Inc.	10,000.00
			<u>63,050.00</u>
Jeff Little un-bid work (A)			13,010.00
Herbert D. Hall un-bid work (B)			<u>14,000.00</u>
			<u>27,010.00</u>



**EXHIBIT Q**



**Payments to the Judge-Executive's Son-in-Law**

<u>Date</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>
3/11/1999	Bradley Trucking	(no invoices)	8,360.00 (C)
3/11/1999	Little's Construction	(no invoices)	9,120.00 (C)
8/13/1999	Bradley Trucking	880.59 tons of gravel	3,082.07
8/13/1999	Little's Contracting	195 hours backhoe service (1/1/99 - 6/30/99)	7,800.00
9/28/1999	Little's Construction	Illegal dump clean-up at Potato Branch	3,010.00
4/27/2000	Little's Contracting	206 hours backhoe service (7/1/99 - 11/1/99)	8,240.00
7/7/2000	Little's Contracting	Garbage clean-up, 4 miles of Beaver Creek	10,000.00
10/26/2000	Bradley Trucking	Gravel for Road Dept. (no weight tickets)	7,200.00 (C)
2/23/2001	Bradley Trucking	2,796.66 tons of gravel	9,788.31
			<u>66,600.38</u>

Payments without adequate support (C) 24,680.00



**EXHIBIT R**



**Building Leased from the Judge Executive's Father-in-Law**





**EXHIBIT S**



75-0

053910D

COMMERCIAL PROPERTY DATA CARD

BUILDING SKETCH AND AREA CALCULATION

Acct 539100 04 091-00 00 005.00

JOHNSON CALVIN  
3856 HWY 7 S  
DEMA KY 41859

LOT  
BEAVER DEMA  
PROPERTY OWNER

STREET ADDRESS OF SUBJECT PROPERTY \_\_\_\_\_ 32

CITY \_\_\_\_\_ 32

STATE \_\_\_\_\_ 7 ZIP CODE \_\_\_\_\_ 9 CLIMATIC REGION \_\_\_\_\_ 8  
 Moderate  Moderate

REPORT FORM \_\_\_\_\_ 2

1 Summary Only 2 Itemized (Detailed)

LAND VALUE \_\_\_\_\_ \$ 9

LAND VALUE \_\_\_\_\_ \$ 9

COMMENTS \_\_\_\_\_ 32

COMMENTS \_\_\_\_\_ 32

COMMENTS \_\_\_\_\_ 32

APPRaiser \_\_\_\_\_ 32

BUILDING PHOTOGRAPH



unusable 4-98

PROFESSIONAL SERVICES

405	Lawling Center
406	Clubhouse/Recreation
407	Indoor Tennis Club
408	Indoor Ice or Roller Rink
409	Marina
410	Medical Clinic
501	Medical Clinic
502	Nursing Home
503	Funeral Home
504	Veterinary Clinic
505	Veterinary Clinic

BASEMENTS

901	Bakery
902	Boiling Plant
903	Clubhouse/Recreation
904	Cold Storage
905	Dairy
906	Laundry/Dry Cleaning
001	Unfinished
002	Partially finished
003	Finished
004	Underground Parking
004	Basement

ASSESSMENT DATA

Year	Land Value	Improvement Value	Total Assessed Value
93	7,000	2,500	7,500
98	6,000	-	6,000
99	6,500	-	6,500
00	6,500	-	6,500
01	6,500	-	6,500

BUILDING SECTION DATA

Complete required items 15 through 19 and optional items 20 through 50 for each building section.

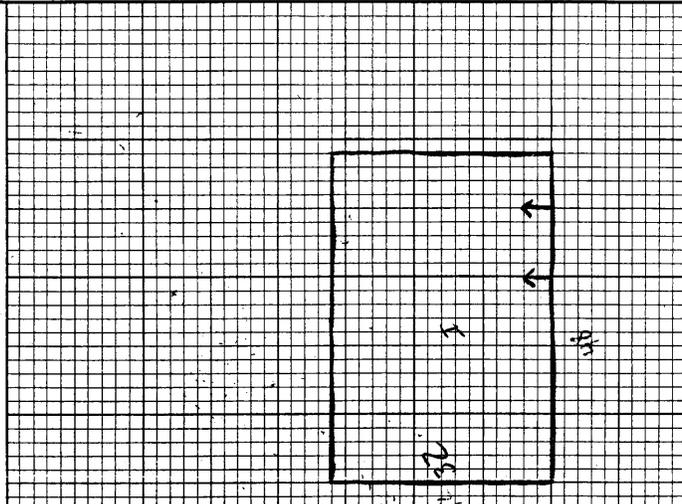
SECTION NUMBER \_\_\_\_\_

OCCUPANCY (Enter three-digit code from next column.)  
179

OCCUPANCY DESCRIPTION (Overrides standard description)  
Johnsons Service Station 28

CONSTRUCTION CLASSIFICATION

1	Wood Frame	4	Steel Frame
2	Masonry Exterior Walls, Wood Floors and Roof	5	Fireproofed Steel Frame
3	Pre-engineered Steel Frame	6	Reinforced Concrete Frame



Section \_\_\_\_\_ Width X Length \_\_\_\_\_ Area \_\_\_\_\_  
 32 X 48 = 1534

TOTAL NUMBER OF STORIES: \_\_\_\_\_

19 GROSS FLOOR AREA: \_\_\_\_\_

Major Alterations or Additions \_\_\_\_\_ Date \_\_\_\_\_



**EXHIBIT T**





COMMONWEALTH OF KENTUCKY  
OFFICE OF THE **KNOTT COUNTY ATTORNEY**  
P.O. BOX 470  
HINDMAN, KENTUCKY 41822

RANDY G. STONE  
COUNTY ATTORNEY

TELEPHONE:  
(606) 785-5355  
FAX:  
(606) 785-3064

July 21, 2000

OFFICE OF THE ATTORNEY GENERAL  
C/O GERARD GERHARD  
1024 CAPITAL CENTER DRIVE  
FRANKFORT, KY 40601-8204

Dear Mr. Gerhard:

I am requesting an opinion in regard to how monies in the 911 Fund can be spent.

**FACT SCENARIO**

After taking office in January 1999, the Knott County Fiscal Court voted to fire several employees and replaced them with other individuals. The individuals who were fired filed a lawsuit against Donnie Newsome individually and in his capacity as the Knott County Judge Executive and the Knott County Fiscal Court. These lawsuits were all settled by agreement prior to trial. One of the individuals who was terminated and filed suit was the Knott County 911 Coordinator. Because the settlement was for back salary, the Knott County Treasurer paid the portion of the settlement which would go to the lady who had been the 911 Coordinator out of the Knott County 911 Fund.

**QUESTION**

- (1) Is it appropriate to pay the portion of the settlement which will go to the terminated 911 Coordinator out of the 911 Funds?

It is my opinion from my research that this is not appropriate, however, the Knott County Judge Executive's Office has asked that we obtain an opinion of the Attorney General's Office. I appreciate your assistance with this matter and if you need any additional information, please do not hesitate to contact me at my office.

Sincerely,

  
Gail Stone  
Assistant Knott County Attorney

