



**EXAMINATION OF SELECTED ACTIVITIES AND TRANSACTIONS  
OF THE TAYLOR COUNTY  
ENHANCED 911 EMERGENCY SERVICE (E-911)**

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

December 20, 2000

Judge Executive Eddie Rogers  
Taylor County Fiscal Court  
203 North Court Street, Suite 4  
Campbellsville, Kentucky 42718

RE: Auditors' Report on E-911 Examination

Dear Judge Rogers:

We have examined selected activities and transactions of the Taylor County Enhanced 911 Emergency Service (E-911). This examination was triggered by our receipt of expressions of concern by citizens. Our objective was to determine whether E-911 service charge revenues were expended in accordance with the governing statute, KRS 65.760. Procedures performed during this engagement included interviewing various county personnel and examining county accounting records, ordinances, agreements, and detailed transaction documentation.

We identified \$102,066.39 in expenditures that did not comply with KRS 65.760, and an additional \$60,852.81 in questionable expenditures. As of June 30, 2000, we identified \$46,733.78 in surplus E-911 service charge revenues which were not appropriately restricted for E-911 use. Additionally, occupational tax proceeds of \$44,039.26 were not disbursed in compliance with County Ordinance 220.2 or an Interlocal Cooperation Agreement, shorting the City of Campbellsville in the amount of \$22,019.63. We have made other comments and recommendations designed to strengthen certain administrative and accounting practices.

The findings noted during the performance of these procedures are contained in the attached detailed report. We appreciate the cooperation received from your office and staff during the course of our work.

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**Findings and  
Recommendations**

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**E-911 service charge  
revenues in excess of  
\$100,000 were expended  
for purposes other than  
emergency service**

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On January 16, 1996, the Taylor County Fiscal Court (Fiscal Court) passed County Ordinance 320.2 which established a monthly E-911 service charge to be paid by all local telephone exchange subscribers, under authority granted to the Fiscal Court in KRS 65.760(1). County Ordinance 320.2 states that “all revenues collected from the service charge shall be expended solely for the purpose of funding E 9-1-1 emergency services”. KRS 65.760(3) effective July 15, 1986, restricts the use of revenues from such a service charge, stating that “all revenues from a tax or fee expressly levied to fund 911 emergency services shall be expended solely for this purpose.”

*\$10,000 of E-911 service  
charge revenues were used for  
economic development  
purposes*

Our examination identified a transaction dated March 14, 2000, which permanently transferred \$10,000 from the E-911 Supplies account on March 15, 2000, to the Campbellsville-Taylor County Industrial Development Authority (Authority). The Authority was established April 8, 1998, by County Ordinance 140.1 to facilitate industrial and commercial development in Taylor County. According to County officials, the transfer was initiated to partially fund the Authority for the remainder of fiscal year 2000. County officials indicated the E-911 Supplies account, which is funded with E-911 service charge revenues, was chosen as the source for \$10,000 of the funds transferred because all the funds appropriated to this account were not needed. The Fiscal Court approved this transfer on March 14, 2000.

*Over \$92,000 of E-911 service  
charge revenues collected  
prior to July 14, 1998 were  
expended inappropriately*

On May 9, 1997, the Commonwealth’s Attorney General issued an interpretation of KRS 65.760, in OAG 97-13, which stated that in order to be a lawful expenditure of “funds collected to establish and operate a 911 emergency telephone service,” the expenditure must be for “equipment, facilities, and personnel necessary to receive and dispatch calls for emergency services.”

We identified \$92,066.39 in expenditures during the period March 1, 1996, through July 14, 1998, that were not authorized by KRS 65.760(3) and OAG 97-13. These expenditures, which represent 33 percent of the \$274,702.90 in E-911 service charge revenues collected by Taylor County during the same period, paid for street signs and coordinating the assignment of property addresses. OAG 97-13 opines that the use of such revenues for the purchase of street signs is prohibited by the statute, and that “street signs are a part of the road system, rather than of the 911 emergency telephone service.” Address assignment and coordination services do not meet the equipment, facilities, and personnel test established by OAG 97-13, as previously quoted. Therefore it appears that expenditures for address assignment and coordination services were also an inappropriate use of 911 service charge revenues.

The Kentucky General Assembly revised KRS 65.760(3) effective July 15, 1998. The revised language states:

“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.”

While the revised language appears to be broader, it is still questionable whether expenditures for road signs and services to coordinate the assignment of addresses are appropriate. The revision to KRS 65.760(3) included specific examples of appropriate expenditures. Even though road sign expenditures were at issue as evidenced by OAG 97-13, they were not included as examples in the statute revision.

We identified \$60,852.81 in expenditures, during the period July 15, 1998, through June 30, 2000, for road signs and coordinating the assignment of addresses. Due to the fact that the Attorney General did not opine after the revision of KRS 65.760(3), it is unclear whether these expenditures are inappropriate under the revised statute.

*Over \$46,000 of surplus  
E-911 service charge revenues  
were not properly reserved for  
E-911 use*

We found that Taylor County received E-911 service charge revenues of \$526,917.77 during fiscal years 1996 through 2000. During the same period, expenditures charged to E-911 expense accounts, including inappropriate and questionable expenditures already discussed, totaled \$480,183.99, resulting in a surplus of service charge revenues of \$46,733.78 as of June 30, 2000 (see exhibit A). Taylor County has not segregated this surplus as restricted cash nor shown it as a reserved fund balance for E-911 usage, even though the county does both in the case of two other county funds.

*Over \$44,000 of occupational  
tax receipts were not disbursed  
in accordance with local  
ordinance and an Interlocal  
Cooperation Agreement*

On May 11, 1999, the Fiscal Court passed Ordinance 220.2, which established an occupational tax in Taylor County effective July 1, 1999. Section 1.08 of this ordinance dictates that occupational tax receipts “are to be disbursed as follows:

- (A) All expenses, including salaries, incurred in the operation of the Occupational Tax Administrator’s Office.
- (B) In the event that an Interlocal Government Agreement is reached between the City of Campbellsville and the Fiscal Court of Taylor County for the specification and enumeration of certain expenses which the two governments wish to share equally or otherwise cooperate in the payment of, funds collected pursuant to this Ordinance shall be distributed in a manner consistent with the terms of said Interlocal Agreement.
- (C) After the aforementioned disbursements have been made, the remaining funds shall be disbursed as follows:
  - (1) Fifty percent (50%) to the General Fund of Taylor County; and
  - (2) Fifty percent (50%) to the City of Campbellsville, Kentucky.”

On May 1, 1999, Fiscal Court and the City of Campbellsville executed an Interlocal Cooperation Agreement to govern the usage of occupational tax proceeds. Section Three of this agreement states that such proceeds “shall first be applied as follows:

1. Payment of Administrative Expenses in the operation of the Occupational Tax Assessment Office.
2. Payment of:
  - (a) Approved and budgeted expenses of the maintenance, building and operation of a County Jail.
  - (b) Approved and budgeted expenses (in excess of the funds generated by an E-911 tax ordinance) for the maintenance and operation of E-911 dispatching.
  - (c) Approved and budgeted expenses for the Industrial Development Authority or to otherwise fund agreed industrial recruitment and development activities.
  - (d) The Fiscal Court and Campbellsville City Council may form a joint Committee to review and recommend actions and budgets for the purposes of this section. Upon approval by a majority of the Committee members, the budget shall stand approved for funding unless such approval is overruled by a majority vote of either body.
3. The balance of proceeds shall be divided equally between the Fiscal Court and City Council for the use and benefit of the respective recipients as they independently determine.”

According to documentation provided by Taylor County, \$44,039.26 of the \$1,563,210.05 in fiscal year 2000 net occupational tax receipts were used to make lease payments for communication equipment used in the E-911 Center. As evidenced by the service charge revenue surplus of \$46,733.78, these expenses were not “in excess of funds generated by an E-911 tax ordinance.” Therefore, this use of occupational tax proceeds is not in compliance with the Interlocal Cooperation Agreement or Ordinance 220.2. This incidence of non-compliance caused the total payments to the City of Campbellsville for fiscal year 2000 occupational tax settlement to be understated by \$22,019.63.

*Recommendations*

We recommend that Taylor County take the following actions:

- Create a distinct E-911 Fund to separately account for E-911 service charge revenues and appropriate expenditures;
- Transfer as of June 30, 2000, \$148,800.17 of General Fund Cash and Fund Balance to E-911 Restricted Cash and Fund Balance to reimburse for clearly inappropriate expenditures and to specifically identify the cumulative surplus for appropriate E-911 usage;
- Periodically evaluate the financial condition of the E-911 fund and adjust the service charge rate, as needed, to reflect the anticipated financial obligation of the fund;
- Seek the opinion of the Commonwealth’s Attorney General regarding the propriety of the expenditure of \$60,852.81 expended subsequent to the revision of KRS 65.760(3), and reimburse the E-911 Fund if such opinion deems these expenditures inappropriate;
- Develop procedures to ensure that E-911 service charge revenues are expended in accordance with KRS 65.760(3) and the recommended Attorney General opinion, if rendered;
- Revise accounting for use of occupational tax receipts to eliminate the \$44,039.26 charge for E-911 expenses and return this amount to the General Fund; and
- Disburse \$22,019.63 to the City of Campbellsville to correct the understatement of the occupational tax settlement.

**The E-911 Committee has not served its function of directing the expenditure of E-911 service charge revenues**

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On August 28, 1998, Taylor County and the City of Campbellsville executed an agreement to address certain logistical matters related to joint operation of the E-911 Center. Section 5 of this agreement addresses the E-911 Committee (Committee) as follows:

“The parties agree that the jointly appointed E-911 Committee shall have overall supervision and control of the E-911 center. After the construction of the building and purchase of the contracted equipment, the E-911 Committee shall thereafter direct the expenditure of any and all remaining funds, or future funds generated under the E-911 Ordinance passed by the County.”

According to Taylor County officials, the Committee was created and continues to exist, meeting as needed to make significant decisions related to the E-911 center’s operation. However, the Committee does not approve expenditures for the E-911 Center. Additionally, the Committee does not participate in the preparation of the E-911 Center’s budget, nor does it approve that budget. Based upon the information provided during our examination, it appears that the Committee is not directing the expenditure of E-911 service charge revenues.

*Recommendations*

We recommend that Taylor County and the City of Campbellsville direct the E-911 Committee to develop policies and procedures which ensure proper oversight of the financial affairs of the E-911 Center, including but not limited to, budget review and approval and oversight of expenditures.

Very truly yours,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

**EXHIBIT**

**Exhibit A**  
**Taylor County E-911 Revenues and Expenditures**

	Fiscal Years					TOTAL
	1996	1997	1998	1999	2000	
<b>Revenues:</b>						
Telephone - 911 tax receipts	10,307.71	124,299.21	129,143.88	130,560.34	132,606.63	526,917.77
Occupational tax receipts	-	-	-	-	44,039.26	44,039.26
<b>Total Revenues</b>	<b>10,307.71</b>	<b>124,299.21</b>	<b>129,143.88</b>	<b>130,560.34</b>	<b>176,645.89</b>	<b>570,957.03</b>
<b>Expenses:</b>						
Transfer	-	-	-	-	10,000.00	10,000.00
City Dispatch	-	6,000.00	-	-	-	6,000.00
E-911 function specific	-	-	1,482.30	5,595.72	55,339.26 *	62,417.28
E-911 mapping	-	76,059.70	28,760.49	205,404.62	52,396.50	362,621.31
E-911 Salary (Coordinator)	-	-	-	-	20,000.00	20,000.00
E-911 Fringes	-	-	-	-	6,538.79	6,538.79
E-911 Liability Insurance	-	-	-	-	680.75	680.75
E-911 Phones	-	-	-	-	916.75	916.75
E-911 Supplies	-	-	-	-	5,068.27	5,068.27
E-911 Travel	-	-	-	-	4,257.79	4,257.79
E-911 Utilities	-	-	-	-	1,000.00	1,000.00
E-911 miscellaneous	-	683.05	-	-	-	683.05
<b>Total Expenses</b>	<b>-</b>	<b>82,742.75</b>	<b>30,242.79</b>	<b>211,000.34</b>	<b>146,198.11</b>	<b>480,183.99 *</b>
Surplus / (Deficit)	10,307.71	41,556.46	98,901.09	(80,440.00)	30,447.78	90,773.04 **
Cumulative Surplus / (Deficit)	10,307.71	51,864.17	150,765.26	70,325.26	100,773.04	

\* Amounts include \$44,039.26 of expenses paid out of occupational tax receipts

\*\* Cumulative Surplus includes \$46,733.78 of surplus E-911 service charge revenues and \$44,039.26 of occupational tax receipts inappropriately used for E-911 expenses

**TAYLOR COUNTY RESPONSE**



COMMONWEALTH OF KENTUCKY  
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December 11, 2000

Kentucky Attorney General  
118 State Capitol  
700 Capitol Ave.  
Frankfort, KY 40601

Re: Request for Attorney General's Opinion

Dear Sirs:

On behalf of the Taylor Fiscal Court, we would like to inquire as to your opinion concerning the use of E-911 tax revenue proceeds for the purpose outlined herein. Taylor County Fiscal Court, pursuant to KRS Chapter 65, adopted an ordinance providing for a monthly E-911 service charge by local telephone extra exchange subscribers. The service and equipment was provided under contracts executed by the Fiscal Court with GTE for equipment, maintenance and county addressing and mapping services.

The mapping services companies subcontracted by GTE failed to perform and ultimately the County successfully completed the mapping and addressing of the county.

Prior to the adoption of the enhanced 911 service, the county operated a basic 911 response wherein persons needing such service by dialing 911 on the telephone reached the police dispatching center. The purpose of the enhanced 911 ordinance was to enable certain additional equipment to function which would permit the dispatching center to identify the location from which calls were incoming even if the party did not or was not able to verbally speak to the dispatch operator. This was to be accomplished by compiling a database which contained the name, address, number of persons in the household, and specified and personalized medical information relative to the occupants of the location of each phone number and address. Therefore, upon a call being received, not only could the dispatch center identify the location, but by means of a "feet measuring addressing system" the local emergency units could be dispatched to the exact location in the County where the call originated and the operator could further provide any personalized and specified data on the occupants of that location without having to verbally talk to the caller.

December 11, 2000  
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A key feature was the requirement that the addressing be exact and the information precise. Not only was it necessary to properly map and address the County prior to and at the implementation of the enhanced system, but it was and is further necessary to accurately maintain proper addressing and information to keep the data current as new addresses and change of addresses occurred over time. Further, the U.S. Postal Service announced that it was no longer going to assist in addressing locations. As a result, the County has been required to utilize one employee assigned to E-911 whose duties primarily are to maintain the accurate information in the database, and to be the principal "addresser" for the County. Specifically, the employee would review and assign all new addresses and be responsible for coordinating with the telephone company change of addresses and the currency of the database.

During an audit of the Taylor County utilization of these emergency telephone receipts, the auditor's office questioned the appropriateness of using these E-911 telephone surcharge receipts to pay the salary and expenses of this E-911 employee (a County employee) for the above described duties. The source of the objection stemmed primarily from OAG 97-13 which provided that it was improper to use these funds to purchase street signs throughout the County. The opinion was read as limiting the use of these funds for equipment facilities and personnel necessary for "dispatching".

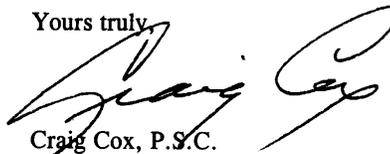
The auditor also relied upon KRS 65.760(3) to question this expenditure.

KRS 65.760(3) was amended on July 15, 1998, subsequent to the 1997 OAG opinion cited above, and the auditor concedes that the amendment is somewhat broader in scope but continues to be unclear as to whether that amendment would qualify the above questioned expenditure.

Accordingly, your opinion is sought on the qualification of utilizing the telephone surcharge funds for the purpose of deferring the pay of personnel whose primary responsibility is the coordinating of addressing in the County and the maintenance of the database for the specialized equipment which enables the enhanced system to operate.

We appreciate your time and effort in this regard. Thank you.

Yours truly,

A handwritten signature in black ink, appearing to read "Craig Cox", written over a horizontal line.

Craig Cox, P.S.C.

CC:rc

Enclosures

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