

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

**For The Year Ended
June 30, 2018**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Jerry Powell, Former Trimble County Judge/Executive

The Honorable Todd Pollock, Trimble County Judge/Executive

Members of the Trimble County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Trimble County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Trimble County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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Auditor's Responsibility (Continued)

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Trimble County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Trimble County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Trimble County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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Other Matters (Continued)

Supplementary Information (Continued)

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019, on our consideration of the Trimble County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trimble County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2018-001 The Trimble County Fiscal Court Did Not Properly Issue Purchase Orders And Lacked Invoice Support Documentation
- 2018-002 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures
- 2018-003 An Encumbrance List Is Not Maintained And Reported To The Department For Local Government
- 2018-004 Timesheets And Other Payroll Supporting Documentation Were Not Provided
- 2018-005 The Trimble County Fiscal Court Does Not Conduct An Annual Inventory Count Or Maintain An Accurate Capital Asset Schedule

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 7, 2019

TRIMBLE COUNTY OFFICIALS**For The Year Ended June 30, 2018****Fiscal Court Members:**

Jerry Powell	County Judge/Executive
Kenneth Green	Magistrate
Don McCarty	Magistrate
Nolan Hamilton, Jr.	Magistrate
David Scott	Magistrate

Other Elected Officials:

Crystal Heinz	County Attorney
Bobby Temple	Jailer
Tina Browning	County Clerk
Stacy Bruner	Circuit Court Clerk
Charles Kelton	Sheriff
Jill Mahoney	Property Valuation Administrator
Frederica Congleton	Coroner

Appointed Personnel:

Regina Rand	County Treasurer
Rita Davis	Financial Officer/Deputy Judge
Cindy Liter	Payroll Officer/Deputy Judge
Roy Callis	Road Supervisor
Susan Barnes	Fiscal Court Clerk

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,580,975	\$	\$
Excess Fees	53,277		
Licenses and Permits	768,146		
Intergovernmental	279,762	1,049,055	85,143
Charges for Services	273,595		
Miscellaneous	270,756	2,996	90
Interest	2,558	400	
Total Receipts	<u>3,229,069</u>	<u>1,052,451</u>	<u>85,233</u>
DISBURSEMENTS			
General Government	982,789		
Protection to Persons and Property	579,474		402,950
General Health and Sanitation	189,497		
Social Services	10,500		
Recreation and Culture	53,226		
Roads		945,341	
Debt Service	55,224	43,660	
Administration	1,082,032	60,878	17,447
Total Disbursements	<u>2,952,742</u>	<u>1,049,879</u>	<u>420,397</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>276,327</u>	<u>2,572</u>	<u>(335,164)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		104,852	
Transfers From Other Funds			302,009
Transfers To Other Funds	(356,009)		
Total Other Adjustments to Cash (Uses)	<u>(356,009)</u>	<u>104,852</u>	<u>302,009</u>
Net Change in Fund Balance	(79,682)	107,424	(33,155)
Fund Balance - Beginning	1,382,843	538,054	38,393
Fund Balance - Ending	<u>\$ 1,303,161</u>	<u>\$ 645,478</u>	<u>\$ 5,238</u>
Composition of Fund Balance			
Bank Balance	\$ 813,207	\$ 648,207	\$ 13,796
Less: Outstanding Checks	(19,897)	(2,729)	(8,558)
Certificates of Deposit	509,851		
Fund Balance - Ending	<u>\$ 1,303,161</u>	<u>\$ 645,478</u>	<u>\$ 5,238</u>

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

TRIMBLE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

<u>Budgeted Fund</u>		
Local		
Government		
Economic		
Assistance		Total
Fund		Funds
\$	\$	1,580,975
		53,277
		768,146
11,914		1,425,874
		273,595
832		274,674
14		2,972
<u>12,760</u>	<u></u>	<u>4,379,513</u>
750		983,539
		982,424
11,000		200,497
20,957		31,457
53,882		107,108
		945,341
		98,884
		1,160,357
<u>86,589</u>	<u></u>	<u>4,509,607</u>
<u>(73,829)</u>	<u></u>	<u>(130,094)</u>
		104,852
54,000		356,009
		(356,009)
<u>54,000</u>	<u></u>	<u>104,852</u>
(19,829)		(25,242)
33,702		1,992,992
<u>\$ 13,873</u>	<u>\$</u>	<u>1,967,750</u>
\$ 14,923	\$	1,490,133
(1,050)		(32,234)
		509,851
<u>\$ 13,873</u>	<u>\$</u>	<u>1,967,750</u>

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

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TO THE FINANCIAL STATEMENT**

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**TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Trimble County includes all budgeted and unbudgeted funds under the control of the Trimble County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

D. Budgetary Information

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

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

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

E. Trimble County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Trimble County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2018.

	General Fund	Total Transfers In
Jail Fund	\$ 302,009	\$ 302,009
LGEA Fund	54,000	54,000
Total Transfers Out	<u>\$ 356,009</u>	<u>\$ 356,009</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 3. Transfers (Continued)

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Long-term Debt

A. Financing Obligation - Courthouse Expansion

On May 31, 2007, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$450,000 at a variable interest rate for the expansion of the Trimble County courthouse. The county will make monthly payments of varying amounts for 11 years in accordance with the contract. The balance of the financing agreement was paid off July 21, 2017.

B. Financing Obligation - Dump Truck and Storage Buildings

On January 29, 2013, the fiscal court entered into a financing agreement with the Kentucky Association of Counties Leasing Trust to borrow \$155,437 at a variable interest rate for payment for dump trucks and storage building construction. The county will make quarterly payments of varying amounts for five years in accordance with the contract. The balance of the financing agreement was paid off December 21, 2017.

C. Financing Obligation - Pickup Truck

On September 11, 2014, the fiscal court entered into a financing agreement with the Bedford Loan and Deposit Bank to borrow \$29,660 at 2.75 percent interest rate for the purchase of a pickup truck for the Road Department. The county will make monthly payments of \$530 for 60 months in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2019	\$ 6,220	\$ 136
2020	1,575	7
Totals	\$ 7,795	\$ 143

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

D. Financing Obligation - Jail Vehicle

On October 21, 2014, the fiscal court entered into a financing agreement with the Farmers Bank of Milton to borrow \$32,141 at 4.125 percent interest rate for the purchase of a vehicle for the use of the jailer. The county will make monthly payments of \$594 for 60 months in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2019	\$ 6,874	\$ 252
2020	2,355	20
Totals	<u>\$ 9,229</u>	<u>\$ 272</u>

E. Financing Obligation - Dump Truck

On July 28, 2017, the fiscal court entered into a financing agreement with the Bedford Loan and Deposit Bank to borrow \$104,852 at 3 percent interest rate for the purchase of a dump truck for the Road Department. The county will make monthly payments of \$1,884 for 60 months in accordance with the contract. Principal payment requirements and scheduled interest for the remaining term of the contract are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2019	\$ 20,285	\$ 2,326
2020	20,902	1,709
2021	21,537	1,073
2022	22,192	418
2023	1,868	5
Totals	<u>\$ 86,784</u>	<u>\$ 5,531</u>

F. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 101,050	\$ 104,852	\$ 102,094	\$ 103,808	\$ 33,379
Total Long-term Debt	<u>\$ 101,050</u>	<u>\$ 104,852</u>	<u>\$ 102,094</u>	<u>\$ 103,808</u>	<u>\$ 33,379</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2016 was \$219,654, FY 2017 was \$247,527, and FY 2018 was \$269,204.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 19.18 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.55 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

The Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Health Reimbursement Account/Flexible Spending Account

The Trimble County Fiscal Court established a flexible spending account (FSA) and health reimbursement (HRA) accounts on May 1, 2012, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plans. The HRA plan provides a debit card to each eligible employee providing \$1,500 or \$3,000, depending upon the type of insurance plan the employee has, each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds (FSA) through payroll deduction. The balance in the accounts as of June 30, 2018, was \$21,969.

Note 8. Insurance

For the fiscal year ended June 30, 2018, the Trimble County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 9. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to a power plant for pollution control and the Trimble County Industrial Authority that is deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Trimble County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2018, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

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TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,498,700	\$ 1,498,700	\$ 1,580,975	\$ 82,275
Excess Fees	20,000	20,000	53,277	33,277
Licenses and Permits	753,100	753,100	768,146	15,046
Intergovernmental	107,900	107,900	279,762	171,862
Charges for Services	180,000	180,000	273,595	93,595
Miscellaneous	282,000	282,000	270,756	(11,244)
Interest	1,525	1,525	2,558	1,033
Total Receipts	<u>2,843,225</u>	<u>2,843,225</u>	<u>3,229,069</u>	<u>385,844</u>
DISBURSEMENTS				
General Government	882,613	1,086,213	982,789	103,424
Protection to Persons and Property	576,921	622,021	579,474	42,547
General Health and Sanitation	183,433	208,633	189,497	19,136
Social Services	15,000	15,000	10,500	4,500
Recreation and Culture	48,000	53,250	53,226	24
Debt Service	61,000	63,000	55,224	7,776
Administration	1,143,062	1,361,912	1,082,032	279,880
Total Disbursements	<u>2,910,029</u>	<u>3,410,029</u>	<u>2,952,742</u>	<u>457,287</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(66,804)</u>	<u>(566,804)</u>	<u>276,327</u>	<u>843,131</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,000	125,000		(125,000)
Transfers To Other Funds	(432,210)	(432,210)	(356,009)	76,201
Total Other Adjustments to Cash (Uses)	<u>(307,210)</u>	<u>(307,210)</u>	<u>(356,009)</u>	<u>(48,799)</u>
Net Change in Fund Balance	(374,014)	(874,014)	(79,682)	794,332
Fund Balance - Beginning	<u>374,014</u>	<u>874,014</u>	<u>1,382,843</u>	<u>508,829</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,303,161</u>	<u>\$ 1,303,161</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 829,247	\$ 829,247	\$ 1,049,055	\$ 219,808
Miscellaneous			2,996	2,996
Interest	300	300	400	100
Total Receipts	<u>829,547</u>	<u>829,547</u>	<u>1,052,451</u>	<u>222,904</u>
DISBURSEMENTS				
Roads	828,195	1,086,495	945,341	141,154
Debt Service	43,000	49,000	43,660	5,340
Administration	113,352	107,106	60,878	46,228
Total Disbursements	<u>984,547</u>	<u>1,242,601</u>	<u>1,049,879</u>	<u>192,722</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(155,000)</u>	<u>(413,054)</u>	<u>2,572</u>	<u>415,626</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			104,852	104,852
Transfers To Other Funds	(125,000)	(125,000)		125,000
Total Other Adjustments to Cash (Uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>104,852</u>	<u>229,852</u>
Net Change in Fund Balance	(280,000)	(538,054)	107,424	645,478
Fund Balance - Beginning	<u>280,000</u>	<u>538,054</u>	<u>538,054</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 645,478</u>	<u>\$ 645,478</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 90,600	\$ 90,600	\$ 85,143	\$ (5,457)
Miscellaneous			90	90
Total Receipts	<u>90,600</u>	<u>90,600</u>	<u>85,233</u>	<u>(5,367)</u>
DISBURSEMENTS				
Protection to Persons and Property	366,460	418,810	402,950	15,860
Administration	48,150	34,193	17,447	16,746
Total Disbursements	<u>414,610</u>	<u>453,003</u>	<u>420,397</u>	<u>32,606</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(324,010)</u>	<u>(362,403)</u>	<u>(335,164)</u>	<u>27,239</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	324,010	324,010	302,009	(22,001)
Total Other Adjustments to Cash (Uses)	<u>324,010</u>	<u>324,010</u>	<u>302,009</u>	<u>(22,001)</u>
Net Change in Fund Balance		(38,393)	(33,155)	5,238
Fund Balance - Beginning		<u>38,393</u>	<u>38,393</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,238</u>	<u>\$ 5,238</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 11,914	\$ (86)
Miscellaneous			832	832
Interest			14	14
Total Receipts	<u>12,000</u>	<u>12,000</u>	<u>12,760</u>	<u>760</u>
DISBURSEMENTS				
General Government	3,000	3,000	750	2,250
General Health and Sanitation	11,000	11,000	11,000	
Social Services	18,200	24,200	20,957	3,243
Recreation and Culture	83,000	93,000	53,882	39,118
Administration	5,000	22,701		22,701
Total Disbursements	<u>120,200</u>	<u>153,901</u>	<u>86,589</u>	<u>67,312</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(108,200)</u>	<u>(141,901)</u>	<u>(73,829)</u>	<u>68,072</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>108,200</u>	<u>108,200</u>	<u>54,000</u>	<u>(54,200)</u>
Total Other Adjustments to Cash (Uses)	<u>108,200</u>	<u>108,200</u>	<u>54,000</u>	<u>(54,200)</u>
Net Change in Fund Balance		(33,701)	(19,829)	13,872
Fund Balance - Beginning		<u>33,701</u>	<u>33,702</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,873</u>	<u>\$ 13,873</u>

TRIMBLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

Note 1. Budgetary Information

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

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

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

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**TRIMBLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2018

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TRIMBLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 423,900	\$	\$	\$ 423,900
Land Improvements	567,380			567,380
Buildings	1,672,743			1,672,743
Building Improvements	980,712	135,012		1,115,724
Vehicles & Equipment	2,384,170	304,754		2,688,924
Infrastructure	5,665,691	378,664		6,044,355
Total Capital Assets	<u>\$ 11,694,596</u>	<u>\$ 818,430</u>	<u>\$ 0</u>	<u>\$ 12,513,026</u>

TRIMBLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2018

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Powell, Former Trimble County Judge/Executive
The Honorable Todd Pollock, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Trimble County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Trimble County Fiscal Court's financial statement and have issued our report thereon dated June 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Trimble County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trimble County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies in internal control that we consider significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2018-004 to be a material weakness.



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

Internal Control Over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, and 2018-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trimble County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2018-001, 2018-002, 2018-004, and 2018-005.

Views of Responsible Officials and Planned Corrective Action

Trimble County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 7, 2019

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

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**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2018

FINANCIAL STATEMENT FINDINGS:

2018-001 The Trimble County Fiscal Court Did Not Properly Issue Purchase Orders And Lacked Invoice Support Documentation

During disbursement testing the following exceptions were noted:

- Of 57 disbursements tested, 56 did not have a purchase order issued prior to purchase. The 56 disbursements totaled \$972,282.
- No support documentation for one invoice.

The purchase order exceptions occurred due to the county judge/executive's office not issuing purchase orders for all purchases as required by the county's own administrative code or issuing purchase orders after the invoice comes into the office. There was no vendor file maintained in the county judge/executive's office for the missing invoice. As a result of not issuing purchase orders or issuing prior to purchases, the county's appropriation line items may be depleted or in a negative balance due to not ensuring funds are available at the time of purchase. This is not in compliance with the Department for Local Government (DLG) requirements. Failure to maintain all supporting documentation for invoices can result in amounts not being recorded timely on the disbursements ledger and can result in payment of finance charges and late fees.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by DLG, "purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head." The state local finance officer requires that all counties have a purchase order system and follow the guidelines prescribed on page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*. KRS 65.140(3) states, "[a]n interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of vendor's invoice by the purchaser." We recommend an approved purchase order be obtained prior to items being ordered or services received to determine if adequate funds and budget appropriations are available for the purchase. We also recommend all supporting documentation be maintained in a vendor file.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A plan of action has been discussed and will be implemented as soon as possible.

2018-002 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures

The fiscal court received and accepted two bids for asphalt, not the lowest and best bidder, for road materials. According to the judge/executive, he wasn't aware this action was prohibited. By not following proper bidding procedures, the fiscal court was not in compliance with KRS 178.140 and could have paid a larger amount than necessary. KRS 178.140(1) states, "[a]ll bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced." KRS 178.140(2) states, "[t]he contract shall be awarded to the lowest and best bidder[.]" The county administrative code states, "[t]he county judge/executive shall open all bids publicly at the time and place stated in the advertisement, and the fiscal court shall select the lowest or best bid by a qualified bidder." We recommend the fiscal court follow bidding procedures as required by KRS 178.140 and the county administrative code.

TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-002 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: A plan of action has been discussed and will be followed going forward.

2018-003 An Encumbrance List Is Not Maintained And Reported To The Department For Local Government

The fiscal court did not report encumbrances on the Fourth Quarter Financial Report. The county is not maintaining a list of encumbrances. The county is not preparing purchase orders for all purchases, see finding 2018-001. By not reporting encumbrances, the county is not in compliance with reporting requirements of the Department for Local Government. In addition, failure to report encumbrances will not accurately reflect cash balances and alert management to any possible cash flow issues.

KRS 68.210 requires the state local finance officer to create a system of uniform accounts for all counties and county officials. The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county to disclose encumbrances on the face of the Fourth Quarter Financial Report. The manual states, "Enter the total dollar amount of unpaid purchase orders from the purchase order journal." Furthermore, KRS 68.360(2) states, "[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund."

We recommend the county report outstanding purchase orders as encumbrances on the Fourth Quarter Financial Report. We also recommend the county maintain a listing of the outstanding purchase orders that support the encumbrance total.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Encumbrance list will be maintained and reported to DLG.

2018-004 Timesheets And Other Payroll Supporting Documentation Were Not Provided

Timesheets and supporting documentation regarding retirement and state withholdings were not provided during the course of the audit. Of 18 employee timesheets selected for testing, 13 were not available. Only six timesheets were found for the entire fiscal year 2018. Timesheets should be kept for payroll verification, as a record of leave time used, and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. Due to a change in officials in 2019, fiscal year 2018 records could have been misplaced. The new administration was unable to locate timesheets and payroll tax/retirement supporting documentation for the audit period. Federal and state laws require employers to keep an accurate record of time worked in order to calculate employee pay and benefits.

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2018
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2018-004 Timesheets And Other Payroll Supporting Documentation Were Not Provided (Continued)

KRS 337.320(1) states, in part, “[e]very employer shall keep a record of...[t]he hours worked each day and each week by each employee[.]” KRS 337.320(2) further requires, “[s]uch records shall be kept on file for at least one (1) year after entry.” In addition, good accounting and recordkeeping practices dictate that timesheets should be kept for payroll verification, as a record of leave time used and overtime paid, and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. Furthermore, these documents are necessary to support accurate reporting to the Kentucky Retirement System and state and federal taxing authorities. We recommend the county strengthen its internal control system over payroll and reduce the risks of non-compliance, as well as protect itself against disputes regarding payroll amounts and employee benefits.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Timesheets and other Payroll documentation will be better handled in the future by preserving all the necessary information.

2018-005 The Trimble County Fiscal Court Does Not Conduct An Annual Inventory Count Or Maintain An Accurate Capital Asset Schedule

There is no annual inventory count or reconciliation of the inventories to the capital asset schedule to ensure accuracy. In addition, the county did not have an updated capital asset schedule. The county has not implemented internal controls to ensure that an annual inventory count and reconciliation are conducted and that the county’s capital asset schedule is updated.

Not implementing an annual inventory count could result in new assets not being added and retired assets not being removed from the capital asset listing or insurance policy, inaccurate descriptions on the capital asset listing, or material misstatement of the historical values of assets on the capital asset schedule in the financial statement. In addition as of June 30, 2018, the following purchases were not recorded on the county’s capital asset schedule: \$58,849 for a jail vehicle, \$135,012 in courthouse renovations and \$116,170 for voting machines.

According to the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, “[a]n annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented.” The manual “requires the counties to maintain a schedule of additions and retirements or disposals of capital assets in accordance with that county’s capitalization policy.”

We recommend the fiscal court implement a policy to conduct an annual inventory count and require departments to submit completed inventory sheets to the county judge/executive’s office. The submitted inventory should then be reconciled to the capital asset listing and the listing updated as needed. We also recommend the county maintain complete and accurate capital asset schedules to comply with DLG requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: We are currently working on an inventory to repeat every year as close to July 1 as possible.

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

TRIMBLE COUNTY FISCAL COURT

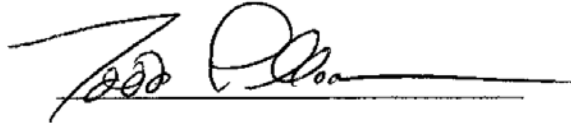
For The Year Ended June 30, 2018

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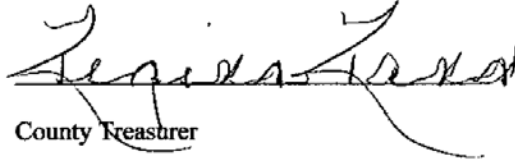
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIMBLE COUNTY FISCAL COURT

For The Year Ended June 30, 2018

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer