

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
TRIMBLE COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES.....	21
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	25
SCHEDULE OF CAPITAL ASSETS.....	29
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	30
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 <i>GOVERNMENT AUDITING STANDARDS</i>	33
SCHEDULE OF FINDINGS AND RESPONSES.....	37
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
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, 2019, 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.

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Todd Pollock, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

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, 2019, 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, 2019, 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 and Other 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 (supplementary information) and Schedule of Capital Assets (other information) 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.

The accompanying Budgetary Comparison Schedules 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 are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Todd Pollock, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, 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:

- 2019-001 The Trimble County Fiscal Court Did Not Have Adequate Internal Controls Over The Payroll Process
- 2019-002 The Trimble County Fiscal Court Did Not Properly Issue Purchase Orders And Lacked Invoice Supporting Documentation
- 2019-003 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures
- 2019-004 The Fiscal Court Overpaid Federal Taxes And Did Not Pay State Taxes Timely

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 29, 2021

TRIMBLE COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

Todd Pollock	County Judge/Executive
Kenneth Green	Magistrate
Chris Liter	Magistrate
Kirby Melvin	Magistrate
JD Jones	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
Vickie Shuck	Deputy Judge
Lisa Mosley	Administrative Assistant
Michael Stewart	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, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,673,534	\$	\$
Excess Fees	78,212		
Licenses and Permits	711,856		
Intergovernmental	122,590	961,732	82,960
Charges for Services	245,640		
Miscellaneous	273,439	52,115	
Interest	5,505	2,551	
Total Receipts	<u>3,110,776</u>	<u>1,016,398</u>	<u>82,960</u>
DISBURSEMENTS			
General Government	752,564		
Protection to Persons and Property	779,892		341,509
General Health and Sanitation	188,731		
Social Services	1,423		
Recreation and Culture	59,742		
Roads		883,339	
Debt Service		95,169	
Administration	910,555	67,523	17,925
Total Disbursements	<u>2,692,907</u>	<u>1,046,031</u>	<u>359,434</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>417,869</u>	<u>(29,633)</u>	<u>(276,474)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			291,000
Transfers To Other Funds	(376,000)		
Total Other Adjustments to Cash (Uses)	<u>(376,000)</u>		<u>291,000</u>
Net Change in Fund Balance	41,869	(29,633)	14,526
Fund Balance - Beginning (Restated)	1,315,955	647,524	9,203
Fund Balance - Ending	<u>\$ 1,357,824</u>	<u>\$ 617,891</u>	<u>\$ 23,729</u>
Composition of Fund Balance			
Bank Balance	\$ 853,836	\$ 618,664	\$ 27,340
Less: Outstanding Checks	(8,870)	(773)	(3,611)
Certificates of Deposit	512,858		
Fund Balance - Ending	<u>\$ 1,357,824</u>	<u>\$ 617,891</u>	<u>\$ 23,729</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, 2019
(Continued)

<u>Budgeted Fund</u>		
Local		
Government		
Economic		
Assistance	Total	
Fund	Funds	
\$	\$ 1,673,534	
	78,212	
	711,856	
12,400	1,179,682	
	245,640	
1,020	326,574	
25	8,081	
<u>13,445</u>	<u>4,223,579</u>	
325	752,889	
	1,121,401	
20,815	209,546	
13,407	14,830	
71,723	131,465	
	883,339	
	95,169	
	996,003	
<u>106,270</u>	<u>4,204,642</u>	
<u>(92,825)</u>	<u>18,937</u>	
85,000	376,000	
	(376,000)	
<u>85,000</u>		
(7,825)	18,937	
<u>14,548</u>	<u>1,987,230</u>	
\$ 6,723	\$ 2,006,167	
\$ 6,840	\$ 1,506,680	
(117)	(13,371)	
	512,858	
<u>\$ 6,723</u>	<u>\$ 2,006,167</u>	

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS	11
NOTE 3.	TRANSFERS.....	11
NOTE 4.	LONG-TERM DEBT	12
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM	13
NOTE 6.	DEFERRED COMPENSATION.....	16
NOTE 7.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	16
NOTE 8.	INSURANCE.....	16
NOTE 9.	CONDUIT DEBT.....	17
NOTE 10.	CONTINGENCIES	17
NOTE 11.	PRIOR PERIOD ADJUSTMENTS	17

**TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

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, 2019
(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, 2019
(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, 2019, 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 2019.

	General Fund	Total Transfers In
Jail Fund	\$ 291,000	\$ 291,000
LGEA Fund	85,000	85,000
Total Transfers Out	<u>\$ 376,000</u>	<u>\$ 376,000</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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. Direct Borrowings and Direct Placements

1. 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. The balance of the financing agreement was paid off August 20, 2018.

2. 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. The balance of the financing agreement was paid off August 20, 2018.

3. 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. The balance of the financing agreement was paid off September 17, 2018

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowing and Direct Placements	\$ 103,808	\$	\$ 103,808	\$	\$
Total Long-term Debt	\$ 103,808	\$ 0	\$ 103,808	\$ 0	\$ 0

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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 2017 was \$247,527, FY 2018 was \$269,204, and FY 2019 was \$360,881.

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 21.48 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, 2019
(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 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 35.34 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, 2019
(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, they 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 percent. 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 percent 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, they 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 percent. 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 percent 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 percent. 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, 2019
(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 501 High Street, 2nd Floor, Frankfort, KY 40601, 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, 2019, was \$27,008.

Note 8. Insurance

For the fiscal year ended June 30, 2019, 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, 2019
(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, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 10. Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 11. Prior Period Adjustments

The prior year ending fund balance for the general fund, road fund, jail fund, and LGEA fund were increased by \$12,794, \$2,046, \$3,965, and \$675, respectively, due to prior year voided checks.

THIS PAGE LEFT BLANK INTENTIONALLY

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,497,200	\$ 1,497,200	\$ 1,673,534	\$ 176,334
Excess Fees	20,000	20,000	78,212	58,212
Licenses and Permits	753,200	753,200	711,856	(41,344)
Intergovernmental	111,300	111,300	122,590	11,290
Charges for Services	210,000	210,000	245,640	35,640
Miscellaneous	297,700	297,700	273,439	(24,261)
Interest	1,525	1,525	5,505	3,980
Total Receipts	<u>2,890,925</u>	<u>2,890,925</u>	<u>3,110,776</u>	<u>219,851</u>
DISBURSEMENTS				
General Government	826,958	853,858	752,564	101,294
Protection to Persons and Property	780,851	862,351	779,892	82,459
General Health and Sanitation	187,314	226,314	188,731	37,583
Social Services	15,000	15,000	1,423	13,577
Recreation and Culture	53,000	60,500	59,742	758
Administration	1,305,582	1,350,682	910,555	440,127
Total Disbursements	<u>3,168,705</u>	<u>3,368,705</u>	<u>2,692,907</u>	<u>675,798</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(277,780)</u>	<u>(477,780)</u>	<u>417,869</u>	<u>895,649</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,000	125,000		(125,000)
Transfers To Other Funds	<u>(447,220)</u>	<u>(447,220)</u>	<u>(376,000)</u>	<u>71,220</u>
Total Other Adjustments to Cash (Uses)	<u>(322,220)</u>	<u>(322,220)</u>	<u>(376,000)</u>	<u>(53,780)</u>
Net Change in Fund Balance	(600,000)	(800,000)	41,869	841,869
Fund Balance - Beginning (Restated)	<u>600,000</u>	<u>800,000</u>	<u>1,315,955</u>	<u>515,955</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,357,824</u>	<u>\$ 1,357,824</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 857,266	\$ 857,266	\$ 961,732	\$ 104,466
Miscellaneous			52,115	52,115
Interest	300	300	2,551	2,251
Total Receipts	<u>857,566</u>	<u>857,566</u>	<u>1,016,398</u>	<u>158,832</u>
DISBURSEMENTS				
Roads	908,516	1,169,416	883,339	286,077
Debt Service	30,000	96,000	95,169	831
Administration	114,050	87,150	67,523	19,627
Total Disbursements	<u>1,052,566</u>	<u>1,352,566</u>	<u>1,046,031</u>	<u>306,535</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(195,000)</u>	<u>(495,000)</u>	<u>(29,633)</u>	<u>465,367</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(125,000)</u>	<u>(125,000)</u>		<u>125,000</u>
Total Other Adjustments to Cash (Uses)	<u>(125,000)</u>	<u>(125,000)</u>		<u>125,000</u>
Net Change in Fund Balance	(320,000)	(620,000)	(29,633)	590,367
Fund Balance - Beginning (Restated)	<u>320,000</u>	<u>620,000</u>	<u>647,524</u>	<u>27,524</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 617,891</u>	<u>\$ 617,891</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 95,600	\$ 95,600	\$ 82,960	\$ (12,640)
Total Receipts	<u>95,600</u>	<u>95,600</u>	<u>82,960</u>	<u>(12,640)</u>
DISBURSEMENTS				
Protection to Persons and Property	354,970	364,670	341,509	23,161
Administration	48,150	38,450	17,925	20,525
Total Disbursements	<u>403,120</u>	<u>403,120</u>	<u>359,434</u>	<u>43,686</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(307,520)</u>	<u>(307,520)</u>	<u>(276,474)</u>	<u>31,046</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	307,520	307,520	291,000	(16,520)
Total Other Adjustments to Cash (Uses)	<u>307,520</u>	<u>307,520</u>	<u>291,000</u>	<u>(16,520)</u>
Net Change in Fund Balance			14,526	14,526
Fund Balance - Beginning (Restated)			<u>9,203</u>	<u>9,203</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,729</u>	<u>\$ 23,729</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(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	\$ 12,400	\$ 400
Miscellaneous			1,020	1,020
Interest			25	25
Total Receipts	<u>12,000</u>	<u>12,000</u>	<u>13,445</u>	<u>1,445</u>
DISBURSEMENTS				
General Government	3,000	3,000	325	2,675
General Health and Sanitation	11,000	22,500	20,815	1,685
Social Services	20,700	18,700	13,407	5,293
Recreation and Culture	112,000	112,500	71,723	40,777
Administration	5,000			
Total Disbursements	<u>151,700</u>	<u>156,700</u>	<u>106,270</u>	<u>50,430</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(139,700)</u>	<u>(144,700)</u>	<u>(92,825)</u>	<u>51,875</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>139,700</u>	<u>139,700</u>	<u>85,000</u>	<u>(54,700)</u>
Total Other Adjustments to Cash (Uses)	<u>139,700</u>	<u>139,700</u>	<u>85,000</u>	<u>(54,700)</u>
Net Change in Fund Balance		(5,000)	(7,825)	(2,825)
Fund Balance - Beginning (Restated)		<u>5,000</u>	<u>14,548</u>	<u>9,548</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,723</u>	<u>\$ 6,723</u>

TRIMBLE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

TRIMBLE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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	5,625		573,005
Buildings	1,672,743			1,672,743
Building Improvements	1,115,724			1,115,724
Vehicles & Equipment	2,688,924	213,731	115,301	2,787,354
Infrastructure	6,044,355	322,910		6,367,265
 Total Capital Assets	 <u>\$ 12,513,026</u>	 <u>\$ 542,266</u>	 <u>\$ 115,301</u>	 <u>\$12,939,991</u>

TRIMBLE COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

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***

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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, 2019, 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 29, 2021.

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 preceding paragraph 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 that we consider to be 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 deficiencies described in the accompanying Schedule of Findings and Responses as item 2019-001 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 2019-002, 2019-003, and 2019-004 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official 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 29, 2021

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

INTERNAL CONTROL - MATERIAL WEAKNESS:

2019-001 The Trimble County Fiscal Court Did Not Have Adequate Internal Controls Over The Payroll Process

While testing payroll, we noted several material weaknesses in internal control over payroll. The following exceptions were noted with payroll testing:

- The former deputy judge/financial officer changed her wages from salary to an hourly rate of \$14.97 and increased her hourly rate by \$0.56 to \$15.53 per hour. She was paid the adjusted rate for three pay periods earning \$44.80 more per pay period. The wage increase was not approved by the fiscal court.
- The former deputy judge/financial officer changed her compensatory time rate to pay time and a half of her hourly rate at \$22.46 per hour. She was paid 93 hours at the adjusted rate for a total of \$2,088.78 and used 32 hours of compensatory time during fiscal year. Per the former financial officer's timesheets, no compensatory time was earned.
- The former animal control officer, who is the son of the former financial officer (mother) and the former part-time animal control officer (father), had his wages changed from salary to an hourly rate of \$15.81. His hourly rate increased by \$1.13 to \$ 16.94 per hour. His wage increase was not approved by the fiscal court. His compensatory time rate was changed to pay time and a half of his hourly rate to \$25.41 per hour.
- The former part-time animal control officer was earning compensatory time as a part-time employee. His son was his supervisor and authorized the compensatory time by signing off on the form. However, there was no authorizing signature from the judge.
- The former deputy judge was earning overtime as an exempt employee. From January 2019 to May 2019, she earned 173 overtime hours.
- One time sheet was missing supervisor approval.
- One road worker was paid overtime two times his hourly rate. His hourly rate was \$15.55 and overtime rate was \$31.11. He was paid overtime at this rate for 15 pay periods.
- Four road workers overtime paid did not agree to timesheets.
- Four employees (two EMS and two animal control) compensatory leaves balances exceeded the maximum amount of two-hundred hours. One EMS employees exceed the maximum by 260 hours and the other EMS employee exceeded by 152 hours. One animal control employee exceeded the maximum by 98 hours and the second animal control employee exceeded the maximum by 32 hours. Also, compensatory time requests were missing signatures for approval.
- Four timesheets and three leave balance reports were missing.
- Three employees (two deputy coroners and fiscal court clerk) did not prepare timesheets.

The fiscal court did not have adequate controls and oversight over payroll functions and reporting, which resulted in the following:

- (1) Timesheets not being approved by supervisors.
- (2) Employees not being paid according to the pay rate approved by fiscal court.
- (3) Employees being paid to work overtime without having proper prior approval for working the overtime per the county's administrative code.
- (4) Employees who are exempt from working overtime, being approved to work the overtime and being paid for the overtime which is not in compliance with the county's administrative code.
- (5) Employees being supervised by their family members and not having independent supervisor review their timesheets and overtime requests.
- (6) The county treasurer does not review timesheets when she signs the payroll checks.

**TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2019-001 The Trimble County Fiscal Court Did Not Have Adequate Internal Controls Over The Payroll Process (Continued)

Without proper review of payroll timesheets, overtime requests, and checking that pay rates actually paid are accurate and in accordance with approval by fiscal court, employees can be paid for time not worked, and/or paid an increased pay rate without detection. Weak internal controls over payroll have allowed these issues to go undetected. In addition, federal and state laws require employees to keep an accurate record of time worked in order to calculate employee pay and benefits. The fiscal court is not in compliance with federal and state labor regulations or the county's administrative code.

Federal and state laws require employees to keep an accurate record of time worked in order to calculate employee pay and benefits. KRS 337.320(1) states, "[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." KRS 337.320(2) state, "[s]uch records shall be kept on file for at least one (1) year after entry. They shall be open to inspection at any reasonable time, and every employer shall furnish to the commissioner or the commissioner's authorized representative on demand a sworn statement of them."

Per the county's administrative code "all county employees shall be declared exempt or non-exempt under the provisions of federal and state wage and hour laws. Exempt employees shall not receive overtime pay." Also, as to comp-time, the county's administrative code states "maximum amount of two-hundred hours can be accumulated. Use of comp-time must be approved by the department head and the County Judge." Further, the county's administrative code states "the annual budget may include wage increases for the budget year effective July 1 annually, subject to available revenues. Individual adjustments may be made during the year as necessary, (introductory completion, etc.) subject to availability of revenues and the current budget."

We recommend the county strengthen its internal control system over payroll and reduce the risks of noncompliance, as well as protect itself against disputes regarding payroll amounts and employee benefits. In order to strengthen internal controls over payroll, we recommend the fiscal court implement procedures to ensure that timesheets are maintained and properly documented with supervisor's approval. Payroll should be reviewed to ensure payments are properly calculated and paid in accordance with the county's administrative code, as well as federal and state laws. We further recommend that the fiscal court update the approved salary schedule to reflect accurate salaries for all employees and review salaries in the payroll system to ensure pay rates agree to the salary schedule approved by the fiscal court. The county should maintain all timesheets for each employee, maintain accurate leave balance reports for each employee and supporting payroll tax and retirement documentation for all employees for each pay period. This finding will be referred to the Kentucky Office of the Attorney General, Kentucky State Police, and Trimble County Ethics Commission for further review.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Deputy Judge will write pay checks, Judge will review timesheets to compare hours worked with hours paid on checks. Administrative assistant will review the same for a three person checking system.

TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2019-002 The Trimble County Fiscal Court Did Not Properly Issue Purchase Orders And Lacked Invoice Supporting Documentation

This is a repeat finding and was included in the prior year audit report as finding 2018-001. During disbursement testing the following exceptions were noted:

- Forty-nine of 55 disbursements tested did not have a purchase order issued prior to purchase.
- No supporting documentation was available for two invoices.

The purchase order exceptions occurred due to the county judge/executive's office staff not issuing purchase orders for all purchases as required by the county's own administrative code or by staff issuing purchase orders after the invoice comes into the county judge/executive's office for payment. Regarding the two missing invoices, the county judge/executive's office staff did not maintain vendor files. As a result of not issuing purchase orders or issuing them after purchases, the county's appropriation line items may be depleted or in a negative balance due to the lack of procedure for ensuring funds are available at the time of purchase. This is a noncompliance with the Department for Local Government's (DLG) requirements. Failure to maintain all supporting documentation for invoices can result in amounts not being recorded timely on the disbursements ledger, and in the county paying finance charges and late fees. Also, failure to maintain supporting documentation for invoices, significantly increases the risk that county funds are used inappropriately.

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 the Department for Local Government (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*.

We recommend, prior to items being ordered for county operations or services received, a purchase order be completed and approved for the items/services. Purchase orders should be assigned for a purchase after county staff review the relevant budget line item to ensure adequate budget appropriations are available for the purchase. We also recommend all supporting documentation be maintained in vendor files for each county expenditure.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: In June 2019, I sent out a memorandum to all county employees stating that all purchases for the county require a purchase order prior to making a purchase.

2019-003 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures

This is a repeat finding and was included in the prior year audit report as finding 2018-002. The fiscal court received and accepted two bids for asphalt, not the lowest and best bidder, for road materials. Per inquiry of the judge/executive, he was not aware this action was prohibited and this action does not align with the county's administrative code procedures regarding bids. By not accepting the lowest and best bidder, for road materials, the fiscal court was in noncompliance of KRS 178.140(1)(2), which results in a risk that they may pay a larger amount than necessary for the item being bid.

TRIMBLE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2019-003 The Trimble County Fiscal Court Did Not Follow Correct Bidding Procedures (Continued)

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’s 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.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: In the past, fiscal court would accept bids from various businesses (relating to gravel, rock, etc.) based on location of the business and where the road department was working. We will begin accepting bids separately with regard to location.

2019-004 The Fiscal Court Overpaid Federal Taxes And Did Not Pay State Taxes Timely

During the test of payroll taxes, we noted the former deputy judge overpaid Internal Revenue Service (IRS) federal taxes approximately \$43,825 for one quarter. Also, one payment for state taxes from form K-1 "The Kentucky Employer's Return of Income Tax Withheld" was paid seven months past the due date. The lack of segregation of duties could result in misappropriation of assets and inaccurate financial reporting to external agencies such as the payroll taxes to federal and state agencies. Payment of federal withholdings is made separately from the filing of the 941 forms by making electronic funds transfers (EFT). The former deputy judge made these EFT payments, and these payments were due within three days of the end of the pay period for which they were withheld. These EFT payments were made timely, but the payments were made for amounts not matching the actual withheld. Payroll tax withholdings were calculated incorrectly and overpaid, then subsequently refunded by the IRS. The failure to file these forms timely will likely result in penalties and is indicative of improper payroll procedures and poor financial management practices.

Good internal controls dictate that duties should be adequately segregated or compensating controls implemented to ensure accurate financial reporting. We recommend the treasurer ensure that FICA and Medicare deductions are calculated correctly and ensure complete, accurate and timely 941 forms are filed quarterly with the Internal Revenue Service. Also, we recommend the county segregate incompatible duties or implement strong compensating controls to mitigate risks. If duties cannot be adequately segregated due to a limited number of staff, compensating controls are necessary.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Tax reports will be reviewed by deputy judge and administrative assistant. Reports will be filed in a timely manner.

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

TRIMBLE COUNTY FISCAL COURT

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

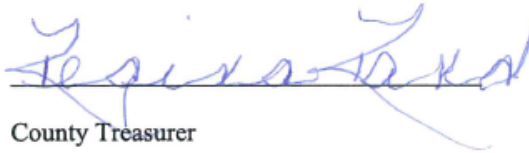
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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