

**HARDIN COUNTY FISCAL COURT
COMMONWEALTH OF KENTUCKY**

RESOLUTION NO. 2004- 84

This Resolution made and entered into this 26th day of October, 2004, by the Hardin County Fiscal Court, Commonwealth of Kentucky.

WHEREAS, the activities of the Hardin County Attorney in the prosecution of crime; providing legal representation to Hardin County Government; and

WHEREAS, the Hardin County Attorney desires to operate an effective criminal and civil program utilizing the various funding sources available to the office.

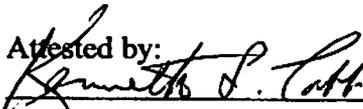
NOW, THEREFORE BE IT RESOLVED by the Hardin County Fiscal Court, Commonwealth of Kentucky, as follows:

- a. The Independent Auditors Report of the Hardin County Attorney's Office by Stiles, Carter & Associates, certified public accountants, for the year ended June 30, 2004, is hereby acknowledged as received, approved and made a part of this resolution by reference.
- b. The Hardin County Attorney is hereby authorized to retain those funds that could be classified as excess fees, if any, to expend for any lawful purpose at the discretion of the Hardin County Attorney.
- c. The Hardin County Attorney shall hereby be authorized to receive directly any and all reimbursements, allocations and/or incentive payments allowable under the provisions of title IV-D of the U.S. Social Security Act, 42 U.S.C. 651, pursuant to contract with the Cabinet for Families and Children, Commonwealth of Kentucky.
- d. The Hardin County Attorney may expend such reimbursements, allocations and/or incentive payments at his discretion, for any purpose of the Hardin County Child Support Program.

Adopted by the Hardin County Fiscal Court on the date hereinabove stated.



HARRY L. BERRY
HARDIN COUNTY JUDGE/EXECUTIVE

Attested by:

KENNETH L. TABB
HARDIN COUNTY COURT CLERK

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004



STILES, CARTER & ASSOCIATES, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

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INDEPENDENT AUDITOR'S REPORT

Honorable Kenneth M. Howard
Hardin County Attorney
Elizabethtown, Kentucky

We have audited the accompanying financial statements of the General Fund of the County Attorney of Hardin County, Kentucky, as of June 30, 2004, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the County Attorney. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the General Fund and are not intended to present fairly the financial position and results of operations of the County Attorney of Hardin County in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the County Attorney of Hardin County, Kentucky, as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Stiles, Carter & Associates

Certified Public Accountants
July 30, 2004

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

BALANCE SHEET OF THE GENERAL FUND

JUNE 30, 2004

| | <u>Governmental Fund Type</u> |
|------------------------------------|-------------------------------|
| | <u>General Fund</u> |
| ASSETS: | |
| Cash | \$ 178,923 |
| Due from Child Support | <u>30,876</u> |
| TOTAL ASSETS | <u><u>\$ 209,799</u></u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Merchants Payable - Cold Check | \$ 25,099 |
| Payroll Taxes Payable | <u>1,545</u> |
| Total Liabilities | 26,644 |
| Fund Balance: | |
| Unreserved | <u>183,155</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 209,799</u></u> |

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GENERAL FUND

JUNE 30, 2004

| | <u>Governmental Fund Type</u> General Fund |
|---|--|
| REVENUES: | |
| Intergovernmental: | |
| Delinquent Tax Commissions and Fees | \$ 82,646 |
| Personnel Support | 338,831 |
| Other: | |
| Delinquent Taxes Collected | 97,493 |
| Cold Checks Fees | 199,164 |
| Reimbursement and Miscellaneous Income | 22,026 |
| Cold Checks Collected | 912,004 |
| Interest Income | 547 |
| TOTAL REVENUES | 1,652,711 |
| EXPENDITURES: | |
| Operating: | |
| Salaries and Wages | 103,715 |
| Fringe Benefits | 35,312 |
| Payroll Taxes | 8,393 |
| Repairs and Maintenance | 499 |
| Equipment Rental | 7,212 |
| Law Library Expense | 4,754 |
| Postage | 11,207 |
| Legal Expense | 5,855 |
| Telephone | 8,593 |
| Office Supplies | 12,341 |
| Miscellaneous | 17,557 |
| Dues and Subscriptions | 4,612 |
| Professional Fees | 21,767 |
| Travel | 3,892 |
| Bank Charges | 5,120 |
| Computers, Software and Accessories | 9,728 |
| Donations | 580 |
| Seminars | 4,084 |
| Other: | |
| Cold Check Restitution | 895,852 |
| Delinquent Tax Collection Remitted | 95,290 |
| Personnel Costs Paid by Other Entities: | |
| Fiscal Court | 148,046 |
| Unified Prosecutorial System | 190,785 |
| TOTAL EXPENDITURES | 1,595,194 |
| EXCESS OF REVENUES OVER EXPENDITURES | 57,517 |
| FUND BALANCE, July 1, 2003 | 125,638 |
| FUND BALANCE, June 30, 2004 | \$ 183,155 |



Item 5.

Bank One, N.A. 034
Client Services 800-888-0241
PO Box 25848 OK1-1075
Oklahoma City, OK 73125-0848

The Cecilian Bank IP 810
Lisa Day
1808 N Dixie
Elizabethtown, KY 42701

New Pledged Security Notification

Receipt Number: 1005021608 Account: 387101070 Effective: 07/30/2004
The following securities have been pledged to:

KY-HARDIN CO ATTORNEY
KY-Hardin Co Attorney

ALLEN CNTY KY SCH DIST FIN
CORP SCH BLDG REV BANK QUAL
CALLABLE SINKING
CUSIP: 017563DE4
Maturity Dt: 02/01/2024
Rate: 4.500000
Issue Dt: 02/01/2004
Face Amt: 320,000.00000
Par Amt: 320,000.00000

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

1. Reporting Entity - The County Attorney shall attend to the fiscal court and conduct all business in that court touching the rights and interests of the county, and when so directed by the fiscal court he shall institute, defend, and conduct all civil actions in which the county is interested before any of the courts of the Commonwealth. He may give advice to the fiscal court and county officials in all matters concerning county business within their jurisdiction. The County Attorney shall oppose all unjust or illegally presented claims.

The County Attorney shall attend to the prosecution in the juvenile session of the district court of all proceedings held pursuant to petitions filed under KRS 208.020(1)(a), (b), (c) and (d). A County Attorney serving in a county or urban county government which is part of the judicial circuit described by KRS 69.010(2), in addition to the duties described above shall:

- (a) Attend all civil cases and procedures in his county in which the Commonwealth is interested; and
- (b) Advise the collector of money due the Commonwealth in the county in regard to motions against delinquent collecting officers for failing to return executions, and shall prosecute the motions. In no case shall the County Attorney take a fee or act as counsel on any case in opposition to the interest of the county.

The County Attorney has entered into a Title IV-D Child Support Program Administrator contract with the Cabinet for Human Resources. This contract is not part of the County Attorney's official statutory duties. The Title IV-D Program was established to provide services necessary to establish paternity and secure, enforce and collect support, including modifications, for children receiving Aid to Families with Dependent Children (AFDC), Foster Care (FC), Medical Support Enforcement (Medical), Transitional Child Care (TCC) and for children not otherwise eligible for said benefits on application for such services as provided for in the Title IV-D of the Social Security Act (42 U.S.C. 651 through 660), and KRS Chapters 194, 205, 406 and 407. The program was also established to increase child support activities through grants (if applicable) thereby decreasing existing backlogs in order to increase the number of paternity establishments, child support obligations set, and enforcement actions.

The Child Support Enforcement Fund is a department of the Hardin County Attorney, Kenneth M. Howard, who has oversight responsibilities over all activities related to his office and performance of the duties thereof. The Child Support Enforcement Fund receives funding from state and federal government sources and must comply with the concomitant requirements of these funding source entities. The Child Support Enforcement Fund is a Special Revenue Fund and has not been included in the financial statements referred to in the table of contents.

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

The financial statements as listed in the table of contents have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

2. Basis of Accounting - The County Attorney of Hardin County, Kentucky, prepares the financial statements as listed in the table of contents in accordance with generally accepted accounting principles.

The modified accrual basis of accounting is followed by all governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both available and measurable. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County Attorney; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable, i.e.; revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time they are available.

Expenditures are recorded when the liability is incurred, except for certain compensated absences, which are recognized when the obligations are expected to be liquidated. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Certain expenditures are recorded in accordance with the Child Support Enforcement Program such as those relating to administrative allotments.

3. Fund Accounting - The County Attorney uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Funds are used to account for all or most of the entity's general activities, including the collection and disbursement of earmarked monies (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds). The General Fund is used to account for all activities of the entity not accounted for in some other fund.

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

4. Budget - The County Attorney is not required to adopt an appropriated budget.
5. Cash and Investments - Cash includes amount in checking account. There are two accounts held at FDIC-insured institutions. The County Attorney's deposits did exceed the \$100,000 FDIC limit at one institution. At June 30, 2004, the County Attorney's uninsured cash balance totaled \$30,336. The County Attorney considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.
6. Compensated Absences - Employees of Hardin County Attorney accrue one day of sick leave and one day of vacation leave each month. This leave time accrues from the first day of employment but may not be used and does not vest until an initial probationary period of three months has been completed. The County Attorney requires all employees to take at least one week of vacation leave each year. Sick leave may be carried forward without limit. Upon severance, however, unused sick leave is lost. As it is not practical to determine what portion of unused vacation leave relates to the portion of employees' salary paid by the state or the fiscal court, no liability for earned but unpaid compensated absences has been recorded. Neither is this amount considered material to the financial statements.

NOTE B - DEFINED BENEFIT PENSION PLAN

The County Attorney and staff may participate in two different retirement systems. These retirement systems are sponsored by the Commonwealth of Kentucky.

County Employees Retirement System (CERS) - The County Employees Retirement System is a multiple employer cost sharing public employee retirement system which covers substantially all regular full-time employees of each county, school board, and any additional local agencies electing to participate in the System. The Commonwealth of Kentucky is a non-employer and non-contributor to this system.

Plan Description - CERS provides benefits to its participants upon retirement. CERS issues a publicly available financial report that includes financial statements and required supplementary information for the retirement plan. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 502-564-4646.

Funding Policy - Plan members are required to contribute 5.00% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The rate at June 30, 2004, is 7.34% of covered payroll. The contribution requirements of the employer are established and may be amended by the Kentucky Retirement Systems' Board of Trustees.

HONORABLE KENNETH M. HOWARD
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

(Concluded)

Kentucky Employees Retirement System (KERS) - The Kentucky Employees Retirement System is a multiple employer cost sharing public employee retirement system, which covers substantially all regular full-time employees of each state department, board, or agency directed by Executive Order to participate in the System.

KERS provides benefits to its participants upon retirement. KERS issues a publicly available financial report that includes financial statements and required supplementary information for the retirement plan. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 502-564-4646.

Funding Policy - Plan members are required to contribute 5.00% of their annual covered salary and the employer is required to contribute at an actuarially determined rate. The rate at June 30, 2004 is 7.53% of covered payroll. The contribution requirements of the employer are established and may be amended by the Kentucky Retirement System's Board of Trustees.

Employer Contributions - Hardin County Attorney's and employee contributions to CERS and KERS for the year ending June 30, 2004 were \$14,390 and \$9,827, equal to the required contributions for each year.

NOTE C - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balance, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D - PAYMENTS MADE ON BEHALF OF THE COUNTY ATTORNEY'S OFFICE

Some expenses of the County Attorney's office are paid directly by Hardin County Fiscal Court and by the State of Kentucky. The County Attorney has recognized personnel costs paid by other entities on the financial statements in the amount of \$338,831.

NOTE E - RELATED PARTY TRANSACTIONS

During fiscal year 2004, the County Attorney's office purchased computer software and professional services in the amount of \$7,024 from the spouse of an employee in the accounting department.