

**HARDIN COUNTY FISCAL COURT
COMMONWEALTH OF KENTUCKY**

RESOLUTION NO. 2013- 032

This Resolution made and entered into this 12th day of March, 2013, by the Hardin County Fiscal Court, Commonwealth of Kentucky.

WHEREAS, the activities of the Hardin County Attorney include the prosecution of cases in Hardin District and Family Court, the provision of legal representation to Hardin County Government; and the establishment and collection of child support 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.

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. That the Independent Auditors Report of the Hardin County Attorney's Office by Stiles, Carter & Associates, certified public accountants, for the year ended June 30, 2012, is hereby acknowledged as received, approved and made a part of this resolution by reference; and
- b. That 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 in the operation of the Hardin County Attorney Office at the discretion of the Hardin County Attorney; and
- c. That the Hardin County Attorney may expend reimbursements, allocations and/or incentive payments received pursuant to the Title IV-D contract at her discretion, for the 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

Prepared by:

JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

CHRIS R. CARTER, CPA
SCOTT KISSELBAUGH, CPA
BRIAN S. WOOSLEY, CPA



STILES, CARTER & ASSOCIATES, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

www.scacpa.com

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KENTUCKY SOCIETY
OF CPAs

Jennifer B. Oldham
Hardin County Attorney
Elizabethtown, Kentucky

In planning and performing our audit of the General Fund of Hardin County Attorney as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Hardin County Attorney's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Attorney's internal control. Accordingly, we do not express an opinion on the effectiveness of the Attorney's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Hardin County Attorney's internal control to be material weaknesses:

Material Adjustments to the Financial Statements – A good system of internal control includes properly recording all material transactions using generally accepted accounting principles. During our audit, we proposed material adjustments to the financial statements. These adjustments were accepted by management.

Financial Statement Preparation – The Attorney's management is responsible for establishing and maintaining internal controls over the application of transactions and the preparation of financial statements. During our audit, we noted that management does not have the ability to prepare the financial statements and notes.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Stiles, Carter & Associates

Certified Public Accountants
January 31, 2013

**HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY**

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2012

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

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YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

Honorable Jennifer B. Oldham
Hardin County Attorney
Elizabethtown, Kentucky

We have audited the accompanying financial statements of the general fund of the Hardin County Attorney as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of Hardin County Attorney's management. Our responsibility is to express an opinion on these basic 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 disclosed in Note A, the financial statements present only the General Fund and do not purport to, and do not, present fairly the financial position of Hardin County Attorney as of June 30, 2012, and the changes in financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund of Hardin County Attorney as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Stiles, Carter & Associates

Certified Public Accountants

January 31, 2013

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

GENERAL FUND BALANCE SHEET

JUNE 30, 2012

		<u>Governmental Fund Type</u>
		<u>General Fund</u>
ASSETS		
Current assets:		
Cash		\$ 266,451
Receivables		<u>43,334</u>
TOTAL ASSETS		<u>\$ 309,785</u>
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Accounts payable		\$ 19,966
FUND BALANCES		
Fund Balances:		
Unassigned		<u>289,819</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 309,785</u>

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

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

YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Type</u> General Fund
REVENUES:	
Intergovernmental:	
Delinquent tax commissions and fees	\$ 255,033
Personnel support	609,252
Lease and utilities support	51,363
Other:	
Cold checks fees	97,936
Traffic diversion program	38,200
Reimbursement and miscellaneous income	90,807
Interest	1,396
TOTAL REVENUES	1,143,987
EXPENDITURES:	
Operating:	
Salaries and wages	191,466
Fringe benefits	52,884
Payroll taxes	8,956
Office furniture and fixtures	14,677
Equipment rental	4,965
Law library expense	7,809
Postage	16,112
Legal expense	708
Telephone	3,058
Office supplies	6,933
Miscellaneous	26,124
Dues and subscriptions	4,609
Professional fees	12,185
Travel	2,711
Escrow	2,233
Computers, software and accessories	1,201
Donations	912
Seminars	3,370
Child Support Division expenses	18,986
Cold check letter fees	4,936
Cold check recovery fees	6,443
Costs paid by other entities:	
Fiscal Court - personnel costs	242,494
Fiscal Court - lease and utilities	51,363
Unified Prosecutorial System - personnel costs	366,758
TOTAL EXPENDITURES	1,051,893
EXCESS OF REVENUES OVER EXPENDITURES	92,094
FUND BALANCE, July 1, 2011	197,725
FUND BALANCE, June 30, 2012	\$ 289,819

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity – The Hardin County Attorney (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 shall institute, defend and conduct all civil actions in which the county is interested before any of the courts of the Commonwealth. The Attorney may give advice to the fiscal court and county officials in all matters concerning county businesses within their jurisdiction. The Attorney shall oppose all unjust or illegally presented claims.

The 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 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 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 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, Jennifer B. Oldham, who has oversight responsibilities over all activities related to her 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 JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

2. **Basis of Presentation** – The Attorney follows the modified accrual basis of accounting. 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 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.

The County Attorney uses funds 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.

3. **Budget Control** – The Attorney is not required to adopt an appropriated budget.
4. **Compensated Absences** – Employees of the 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 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. This amount is not considered to be material to the financial statements.

(Continued next page)

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

5. Receivables - Since revenues are recognized and recorded based on what is collected, all receivables are collectible and no valuation allowances are necessary.
6. Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Attorney's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, 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 B – CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Attorney's deposits may not be returned to it. At June 30, 2012, \$18,521 of the Attorney's bank balance of \$268,521 was exposed to custodial credit risk. This amount of \$18,521 was uncollateralized.

NOTE C – FUND BALANCES

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2012, the Attorney had no restricted fund balances.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the Attorney is the County Attorney. The County Attorney must approve the establishment (and modification of rescinding) of a fund balance commitment. The Attorney did not have any commitments at June 30, 2012.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The Attorney had no assigned fund balances at June 30, 2012.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Attorney considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the Attorney has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

HONORABLE JENNIFER B. OLDHAM
HARDIN COUNTY ATTORNEY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(concluded)

NOTE D – DEFINED BENEFIT PENSION PLAN

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. Funding for the Plan is provided through payroll withholdings of 5% for those employees participating in CERS before September 1, 2008 and 6% for those employees participating in CERS on or after September 1, 2008 and an Attorney contribution. The current contribution rate is 18.96% of annual covered payroll. The contribution rate is actuarially determined. The Attorney's contribution requirement for CERS for the years ended June 30, 2012, 2011 and 2010 was \$28,058, \$27,337 and \$25,874 . All payments were made to the retirement system in the amount of the annually required contributions. The County Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

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. Funding for the Plan is provided through payroll withholdings of 5% for those employees participating in KERS before September 1, 2008 and 6% for those employees participating in KERS on or after September 1, 2008 and a Prosecutors Advisory Council contribution. The current contribution rate is 16.98% of annual covered payroll. The contribution rate is actuarially determined. The Council's contribution requirement for KERS for the years ended June 30, 2012, 2011 and 2010 was \$50,129, \$43,416 and \$39,191. All payments were made to the retirement system in the amount of the annually required contributions. The Kentucky Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

NOTE E – PAYMENTS MADE ON BEHALF OF THE COUNTY ATTORNEY'S OFFICE

Some expenses of the Attorney are paid directly by Hardin County Fiscal Court and by the State of Kentucky. The Attorney has recognized personnel costs paid by other entities in the amount of \$609,252. The Attorney has recognized lease and utilities costs paid by other entities in the amount of \$51,363.

NOTE F – OPERATING LEASE

The Attorney has an operating lease for the use of an office building at 109 East Dixie, Elizabethtown, Kentucky 42701. Lease expenses paid during the year ended June 30, 2012 were \$42,000. The future payment obligation is:

2013	\$ 42,000
2014	42,000
2015	<u>42,000</u>
	<u>\$126,000</u>