



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

September 25, 2019

Members of Marshall County Fiscal Court
c/o The Honorable Kevin Neal
Marshall County Judge/Executive
1101 Main St
Benton, KY 42025

RE: Fiscal Court Engagement for Year Ended June 30, 2019

Member of the Fiscal Court:

We are pleased to confirm our understanding of the services we are to provide the Marshall County Fiscal Court for the year ended June 30, 2019. We will audit the Statement of Receipts, Disbursements and Changes in Fund Balances - Regulatory Basis for the year ended June 30, 2019, and the related notes to the financial statement. Our audit will be conducted with the objective of expressing an opinion on your financial statement.

Supplementary information will accompany the Marshall County Fiscal Court's financial statement. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statement and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statement itself, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statement as a whole.

1. Budgetary Comparison Schedules
2. Schedule of Capital Assets

Auditor Responsibilities

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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. Although not absolute assurance, reasonable assurance is, nevertheless, a high level of assurance. An audit involves performing procedures to obtain audit evidence about the



Auditor Responsibilities (Continued)

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 error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky.

In making our risk assessments, we consider 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statement that we have identified during the audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of Marshall County's financial statement. Our report will be addressed to the governing body of Marshall County. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s). If our opinion on the financial statement is other than unmodified, we will discuss the reasons with you in advance.

Compliance with Laws and Regulations

As part of obtaining reasonable assurance about whether the financial statement is free of material misstatement, we will perform tests of Marshall County's compliance with the provisions of laws, regulations, contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management Responsibilities

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a. For the preparation and fair presentation of the financial statement which includes all appropriate informative disclosures in accordance with the regulatory basis of accounting prescribed by the laws of Kentucky.
- b. For the selection and application of accounting principles;
- c. 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 error, fraudulent financial reporting, misappropriation of assets, or violations or laws, grant agreements or contractual agreements.
- d. For maintaining adequate records and safeguarding assets;
- e. To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the Marshall County Fiscal Court from whom we determine it necessary to obtain audit evidence.
- f. For including the auditor's report in any document containing the financial statement that indicates that the financial statement has been audited by the Marshall County Fiscal Court's auditor;
- g. For identifying and ensuring that the Marshall County Fiscal Court complies with the laws and regulations applicable to its activities;
- h. For adjusting the financial statement to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period under audit are immaterial, both individually and in the aggregate, to the financial statement as a whole.
- i. For informing us of any known or suspected fraud affecting the entity involving management, employees with a significant role in internal control and others where fraud could have a material effect in compliance;

Management Responsibilities (Continued)

- j. For the accuracy and completeness of all information provided;
- k. For identifying to us the existence of component audits that will be completed by other auditors, coordinating the completion of component audits, and facilitating communications between us and the component auditors; and
- l. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.
- m. For including the auditor's report in any document containing the financial statement that indicates financial statement has been audited by the entity's auditor.

You acknowledge your responsibility to inform our staff of the service organizations you use, as well as your responsibility for monitoring the service organization's performance. Service organizations are entities to which you have outsourced accounting functions. Service organizations process transactions reflected in your financial statement, and therefore fall within the scope of our audit. While service organizations are responsible for establishing and maintaining their internal control, you are responsible for being aware of the service organizations the Marshall County Fiscal Court uses, and for establishing controls to monitor the service organization's performance. When transaction processing is complex and the volume of transactions is relatively high, obtaining and reviewing a Type 2 Service Organization Control Report (SOC 1) may be the most effective method of meeting your responsibility to monitor a service organization, and may also be the only efficient means by which we can obtain sufficient evidence regarding their internal controls. You are responsible for communicating the need for a SOC 1 report to these organizations.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statement, or if the supplementary information will not be presented with the audited financial statement, to make the audited financial statement readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

Reporting

We will issue a written report upon completion of our audit of Marshall County Fiscal Court's financial statement. Our report will be addressed to the governing body of Marshall County.

Reporting (Continued)

We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis of matter or other matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

If this is a group audit and other component auditors are involved, we will refer to those auditors in our report.

Audit Administration, Fees, and Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing. In order to expedite your audit and keep the audit fee to a minimum, we have enclosed a "Client Assistance List" that identifies the records that you need to have collected and available when our auditors arrive. We have assigned the audit to a representative from our office, who will contact you to schedule a beginning audit date.

If you intend to publish or otherwise reproduce the financial statement and make reference to the APA, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

At the conclusion of the audit, you will provide to us a letter that confirms certain representations made during the audit.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contain a risk of misdirected or intercepted communications.

The bill will be for the cost of our audit in accordance with KRS 43.070(3). Our fee will be at our standard rate for professional services plus travel costs.

Whenever possible, we will attempt to use Marshall County's personnel to assist in the preparation of schedules and analyses of accounts. With respect to any non-attest services we perform, management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Audit Administration, Fees, and Other (Continued)

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form or preparation of the financial statement and related schedules or disclosures as these actions are deemed a non-audit service.

With respect to any nonattest services we perform, Marshall County's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

During the course of our audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

Once our audit report has been delivered to you, we will make arrangements to have our transmittal letter published in a local newspaper. The newspaper will bill Marshall County for the publication fees as required by KRS 43.090(2).

At the conclusion of our audit engagement, we will communicate to management the following significant findings from the audit:

- Our view about the qualitative aspects of the Marshall County Fiscal Court's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of the APA, Commonwealth of Kentucky and constitute confidential information. However, we may be requested to make certain audit documentation available to other state or federal agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of APA personnel. Furthermore, upon

Members of Marshall County Fiscal Court
The Honorable Kevin Neal
September 25, 2019
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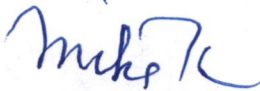
Audit Administration, Fees, and Other (Continued)

request, we may provide photocopies of selected audit documentation to other state or federal agencies. The state or federal agency may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least six years from the date of our report.

In accordance with *Government Auditing Standards* we have attached a copy of our latest external peer review report for your consideration and files.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you agree with the terms of our engagement as described in this letter, the auditor conducting your audit will request that you sign a copy for our file. If you have any questions, please feel free to contact Libby Carlin, Executive Director, Office of Financial Audits, or me.

Thanks and God Bless,



Mike Harmon
Auditor of Public Accounts

c: Roger L. Ford, Marshall County Jailer

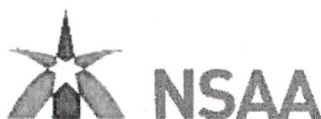
RESPONSE:

This letter correctly sets forth the understanding of the Marshall County Fiscal Court.

By: _____

Title: _____

Date: _____



National State
Auditors Association
An Affiliate of NASACT

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459 Lewis Hargett Circle, Suite 299
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www.nasact.org

Washington Office
The Hall of the States
444 N. Capitol Street, NW, Suite 734
Washington, DC 20001
P (202) 674-5431, (202) 674-5423

PEER REVIEW REPORT

October 28, 2016

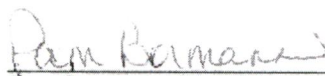
The Honorable Mike Harmon
Auditor of Public Accounts
Commonwealth of Kentucky
209 St. Clair Street
Frankfort, Kentucky 40601

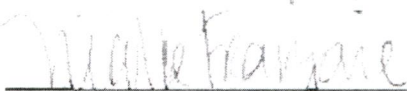
We have reviewed the system of quality control of the Kentucky Auditor of Public Accounts (the office) in effect for the period July 1, 2015 through June 30, 2016. A system of quality control encompasses the office's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The design of the system and compliance with it are the responsibility of the office. Our responsibility is to express an opinion on the design of the system and the office's compliance with the system based on our review.

We conducted our review in accordance with the policies and procedures for external peer reviews established by the National State Auditors Association (NSAA). In performing our review, we obtained an understanding of the office's system of quality control for engagements conducted in accordance with professional standards. In addition, we tested compliance with the office's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the office's policies and procedures on selected engagements. The engagements selected represented a reasonable cross-section of the office's engagements conducted in accordance with professional standards. We believe that the procedures we performed provide a reasonable basis for our opinion.

Our review was based on selective tests; therefore it would not necessarily disclose all design matters in the system of quality control or all compliance matters with the system. Also, there are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control of the Kentucky Auditor of Public Accounts in effect for the period July 1, 2015 through June 30, 2016 has been suitably designed and was complied with during the period to provide the audit organization with reasonable assurance of performing and reporting in conformity with *Government Auditing Standards* in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The Kentucky Auditor of Public Accounts has received a peer review rating of *pass*.


Pam Bormann, CPA, CGFM
Concurring Reviewer
External Peer Review Team
National State Auditors Association


Nicole Franjevic, CPA, MBA
Team Leader
External Peer Review Team
National State Auditors Association

**PRE-AUDIT PACKAGE FOR FISCAL COURT AUDITS
ENDING JUNE 30, 2019**

**The Following Documents And Records Need To Be Collected
And Made Available to the Office of the Auditor of Public Accounts**

- Fourth Quarter Financial Statement
- Treasurer's Annual Settlement
- Original Budget and Approved Budget Amendments
- June 30 Bank Reconciliations
- Prior Year Audit Report (if not performed by the APA)
- Pledges of Securities to Insure Bank Deposits
- Capital Asset and Infrastructure Schedules
- The following agreements, if they are new this fiscal year:
 - Note and Loan Agreements
 - Lease Purchase Agreements
 - Federal Grant Agreements
 - State Grant Agreements
 - Contract Agreements
- Appropriations Ledger
- Warrant Distribution Ledger or Disbursements Ledger
- Schedules of Bonds and Interest Payments
- Investment Ledger
- County Officials' Bonds
- Elected Official's Financial Disclosure Forms
- Cash Receipts Listing through June 30, 2019
- Bank Statements, Deposit Slips, Cancelled Checks, etc. from July 1, 2018, through July 31, 2019
- Bid Files
- Inventory Control Ledgers
- Quarterly Payroll Tax Returns
- Social Security, Retirement, and other Withholding Reports from July 1, 2018, through September 30, 2019
- Bid Advertisements
- Confirmation of Published Audit Report for Prior Year
- Current Insurance Policies
- Treasurer's Monthly Reports
- Schedule of Expenditures of Federal Awards

***** In preparation for GASB 87 – Provide a list of all lease agreements including but not limited to copier leases, real estate lease agreements, capital leases, vehicles leases.**

**PRE-AUDIT PACKAGE FOR FISCAL COURT AUDITS
ENDING JUNE 30, 2019 (Continued)**

If the County has a Jail Commissary, the following documents and records are needed:

- Jailers Annual Commissary Report
- Bank Statements, Deposit Slips, Cancelled Checks, etc. from July 1, 2018 through July 31, 2019
- June 30 Bank Reconciliation
- Commissary Receipts and Disbursements Ledger
- Daily Checkout Sheets
- Inmate Account Bank Statements, Deposit Slips, Cancelled Checks, etc. from July 1, 2018 through July 31, 2019
- Inmate Account Ledgers

NOTE: It is necessary that the audit staff be provided with adequate working space while on site and parking adjacent to the courthouse. Your assistance is greatly appreciated.