

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

**For The Fiscal Year Ended
June 30, 2016**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Richard Armstrong, Clinton County Judge/Executive
Members of the Clinton County Fiscal Court

The enclosed report prepared by RFH, PLLC presents the financial statement of Clinton County, Kentucky, for the year ended June 30, 2016.

We engaged RFH, PLLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; RFH, PLLC evaluated the Clinton County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT OF THE
CLINTON COUNTY FISCAL COURT

June 30, 2016

RFH, PLLC has completed the audit of the Clinton County Fiscal Court for fiscal year ended June 30, 2016.

They have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Clinton County Fiscal Court.

Financial Condition:

The Clinton County Fiscal Court had total receipts of \$4,961,804 and disbursements of \$4,927,879 in fiscal year 2016. This resulted in a total ending fund balance of \$815,623, which is an increase of \$43,347 from the prior year.

Report Comments:

- 2016-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Recordkeeping, Report Preparation, And Reconciliations
- 2016-002 The Fiscal Court Had Weak Internal Controls Over Purchase And Procurement Procedures
- 2016-003 The Fiscal Court Did Not Properly Reconcile All Bank Accounts Including The Revolving Payroll Account
- 2016-004 The County Treasurer Did Not Maintain Accurate Financial Records
- 2016-005 The Fiscal Court Lacks Internal Controls Over Payroll
- 2016-006 Fiscal Court Disbursements Exceeded Budgeted Appropriations
- 2016-007 The Jailer Lacks Adequate Segregation Of Duties Over The Jail Commissary Fund And The Inmate Account
- 2016-008 The Jailer Did Not Deposit Receipts Intact Daily

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Richard Armstrong, Clinton County Judge/Executive
Members of the Clinton 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 Clinton County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Clinton 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
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Members of the Clinton County Fiscal Court

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

As described more fully in Note 1, the financial statement is prepared by the Clinton 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 Clinton County Fiscal Court as of June 30, 2016, 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 Clinton County Fiscal Court as of June 30, 2016, and its cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

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

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

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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Members of the Clinton County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2017, on our consideration of Clinton 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 Clinton 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 comments:

- 2016-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Recordkeeping, Report Preparation, And Reconciliations
- 2016-002 The Fiscal Court Had Weak Internal Controls Over Purchase And Procurement Procedures
- 2016-003 The Fiscal Court Did Not Properly Reconcile All Bank Accounts Including The Revolving Payroll Account
- 2016-004 The County Treasurer Did Not Maintain Accurate Financial Records
- 2016-005 The Fiscal Court Lacks Internal Controls Over Payroll
- 2016-006 Fiscal Court Disbursements Exceeded Budgeted Appropriations
- 2016-007 The Jailer Lacks Adequate Segregation Of Duties Over The Jail Commissary Fund And The Inmate Account
- 2016-008 The Jailer Did Not Deposit Receipts Intact Daily

Respectfully submitted,

RFH, PLLC
Lexington, Kentucky
February 27, 2017

CLINTON COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Richard Armstrong	County Judge/Executive
Johnny Russell	Magistrate
Patty Guinn	Magistrate
Ricky Craig	Magistrate
Mickey Riddle	Magistrate
Terry Buster	Magistrate
Hershel Key	Magistrate

Other Elected Officials:

Michael A. Rains	County Attorney
Johnny Thrasher	Jailer
Sheila Booher	County Clerk
Jake Staton	Circuit Court Clerk
James Guffey	Sheriff
Pat Campbell	Property Valuation Administrator
Steve Talbott	Coroner

Appointed Personnel:

Tuesday Davis	County Treasurer
Joanna Armstrong	Finance Officer

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

For The Year Ended June 30, 2016

CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 391,989	\$	\$
In Lieu Tax Payments	34,414		
Excess Fees	35,865		
Licenses and Permits	27,257		
Intergovernmental	568,906	1,490,796	29,774
Charges for Services			27,965
Miscellaneous	56,340	20,075	3,916
Interest	133	411	28
Total Receipts	<u>1,114,904</u>	<u>1,511,282</u>	<u>61,683</u>
DISBURSEMENTS			
General Government	645,735	21,600	
Protection to Persons and Property	2,434		548,626
General Health and Sanitation	512,647		
Social Services			
Recreation and Culture			
Roads		943,295	
Administration	325,571	216,694	58,691
Total Disbursements	<u>1,486,387</u>	<u>1,181,589</u>	<u>607,317</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(371,483)</u>	<u>329,693</u>	<u>(545,634)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	9,422		
Transfers From Other Funds	603,266	150,000	593,000
Transfers To Other Funds	(242,000)	(411,266)	(60,000)
Total Other Adjustments to Cash (Uses)	<u>370,688</u>	<u>(261,266)</u>	<u>533,000</u>
Net Change in Fund Balance	(795)	68,427	(12,634)
Fund Balance - Beginning (Restated)	153,088	430,126	19,204
Fund Balance - Ending	<u>\$ 152,293</u>	<u>\$ 498,553</u>	<u>\$ 6,570</u>
Composition of Fund Balance			
Bank Balance	\$ 156,288	\$ 520,659	\$ 20,790
Payroll Revolving Account Reconciled Balance	9,422		
Plus: Deposits In Transit			
Less: Outstanding Checks	(13,417)	(22,106)	(14,220)
Fund Balance - Ending	<u>\$ 152,293</u>	<u>\$ 498,553</u>	<u>\$ 6,570</u>

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

CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Federal Grants Fund	Disaster and Emergency Services Fund	Ambulance Fund	Forestry Fund	Occupational Tax Fund	911 Fund
\$	\$	\$	\$	\$	\$ 1,316,378	\$ 240,866
56,382	50,000	6,069	476,161			48,783
13,166			8,290			1,372
15		17	20,662		386	111
<u>69,563</u>	<u>50,000</u>	<u>6,086</u>	<u>505,113</u>		<u>1,316,764</u>	<u>291,132</u>
55,114					34,391	
3,000	50,000	8,972	788,363	5		306,718
1,596						
67,460						
<u>24,471</u>		<u>1,599</u>	<u>230,645</u>		<u>11,109</u>	<u>50,480</u>
<u>151,641</u>	<u>50,000</u>	<u>10,571</u>	<u>1,019,008</u>	<u>5</u>	<u>45,500</u>	<u>357,198</u>
<u>(82,078)</u>		<u>(4,485)</u>	<u>(513,895)</u>	<u>(5)</u>	<u>1,271,264</u>	<u>(66,066)</u>
45,000			537,000			131,000
					(1,276,000)	(70,000)
<u>45,000</u>			<u>537,000</u>		<u>(1,276,000)</u>	<u>61,000</u>
(37,078)		(4,485)	23,105	(5)	(4,736)	(5,066)
35,197		25,139	50,615	22	13,405	38,965
<u>\$ (1,881)</u>	<u>\$</u>	<u>\$ 20,654</u>	<u>\$ 73,720</u>	<u>\$ 17</u>	<u>\$ 8,669</u>	<u>\$ 33,899</u>
\$ 2,700	\$	\$ 20,782	\$ 72,814	\$ 17	\$ 8,669	\$ 33,789
			906			110
(4,581)		(128)				
<u>\$ (1,881)</u>	<u>\$ 0</u>	<u>\$ 20,654</u>	<u>\$ 73,720</u>	<u>\$ 17</u>	<u>\$ 8,669</u>	<u>\$ 33,899</u>

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

CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

	<u>Budgeted Funds</u>			<u>Unbudgeted</u>	<u>Total</u>
	<u>Homeland Security Fund</u>	<u>Special CDBG Fund</u>	<u>Tourism Fund</u>	<u>Fund</u>	
RECEIPTS					
Taxes	\$	\$	\$ 7,752	\$	\$ 1,956,985
In Lieu Tax Payments					34,414
Excess Fees					35,865
Licenses and Permits					27,257
Intergovernmental	1,464				2,203,391
Charges for Services					552,909
Miscellaneous				26,061	129,220
Interest					21,763
Total Receipts	<u>1,464</u>	<u></u>	<u>7,752</u>	<u>26,061</u>	<u>4,961,804</u>
DISBURSEMENTS					
General Government			1,289		758,129
Protection to Persons and Property	655				1,708,773
General Health and Sanitation					512,647
Social Services					1,596
Recreation and Culture				16,718	84,178
Roads					943,295
Administration		1			919,261
Total Disbursements	<u>655</u>	<u>1</u>	<u>1,289</u>	<u>16,718</u>	<u>4,927,879</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>809</u>	<u>(1)</u>	<u>6,463</u>	<u>9,343</u>	<u>33,925</u>
Other Adjustments to Cash (Uses)					
Payroll Revolving Account					9,422
Transfers From Other Funds					2,059,266
Transfers To Other Funds					(2,059,266)
Total Other Adjustments to Cash (Uses)					9,422
Net Change in Fund Balance	809	(1)	6,463	9,343	43,347
Fund Balance - Beginning (Restated)	967	1		5,547	772,276
Fund Balance - Ending	<u>\$ 1,776</u>	<u>\$</u>	<u>\$ 6,463</u>	<u>\$ 14,890</u>	<u>\$ 815,623</u>
Composition of Fund Balance					
Bank Balance	\$ 1,776	\$	\$ 6,463	\$ 13,479	\$ 858,226
Payroll Revolving Account Reconciled Balance					9,422
Plus: Deposits In Transit				2,025	3,041
Less: Outstanding Checks				(614)	(55,066)
Fund Balance - Ending	<u>\$ 1,776</u>	<u>\$ 0</u>	<u>\$ 6,463</u>	<u>\$ 14,890</u>	<u>\$ 815,623</u>

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

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TO THE FINANCIAL STATEMENT**

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CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Clinton County includes all budgeted and unbudgeted funds under the control of the Clinton 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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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.

State Grants Fund - The primary purpose of this fund is to account for state grants received by the county. The primary source of receipts for this fund is the Kentucky State Treasurer. There was no activity in this fund for fiscal year 2016.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants received by the county.

Disaster and Emergency Service Fund - The primary purpose of this fund is to account for the disaster and emergency services expenses of the county. The primary source of receipts for this fund is the Kentucky State Treasurer.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance activities of the county. The primary source of receipts for this fund is user fees paid by insurance companies.

Forestry Fund - The primary purpose of this fund is to account for the forestry expenses of the county. The primary source of receipts for this fund is the fire acres property tax.

Occupational Tax Fund - The primary purpose of this fund is to account for the occupational tax collections of the county.

911 Fund - The primary purpose of this fund is to account for the emergency dispatch activities of the county. The primary source of receipts for this fund is telephone 911 fees.

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants.

Special CDBG Fund - The primary purpose of this fund is to account for community development block grants received by the county. The primary source of receipts for this fund is the federal government.

Tourism Fund - The primary purpose of this fund is to account for tourism receipts and disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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.

The State Local Finance Officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Clinton County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Clinton 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 Clinton 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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(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).

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, 2016, 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 2016.

	General Fund	Road Fund	Jail Fund	Occupational Tax Fund	911 Fund	Total Transfers In
General Fund	\$	\$ 336,266	\$	\$ 267,000	\$	\$ 603,266
Road Fund	50,000			100,000		150,000
Jail Fund	90,000	50,000		453,000		593,000
LGEA Fund		25,000		20,000		45,000
Ambulance Fund	10,000		60,000	397,000	70,000	537,000
911 Fund	92,000			39,000		131,000
Total Transfers Out	<u>\$ 242,000</u>	<u>\$ 411,266</u>	<u>\$ 60,000</u>	<u>\$ 1,276,000</u>	<u>\$ 70,000</u>	<u>\$ 2,059,266</u>

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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$2,411.

Note 5. Employee Retirement System

Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

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, are 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 account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one 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 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 four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$290,014, FY 2014 was \$280,186, FY 2015 was \$255,376, and FY 2016 was \$279,215.

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.

CERS also 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:

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Employee Retirement System (Continued)

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.

Kentucky Retirement Systems 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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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. Insurance

For the fiscal year ended June 30, 2016, Clinton County 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.

Note 7. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2016, was added to the general fund cash balance for financial reporting purposes.

Note 8. Local Government Economic Assistance Fund Deficit

At June 30, 2016, the local government economic assistance fund had a deficit balance of \$(1,881).

Note 9. Beginning Balance Restatement

The beginning balance of the jail commissary fund balance was decreased by \$303 for unaccounted for outstanding checks.

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CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 399,000	\$ 449,000	\$ 391,989	\$ (57,011)
In Lieu Tax Payments	163,000	163,000	34,414	(128,586)
Excess Fees	8,996	8,996	35,865	26,869
Licenses and Permits	31,100	31,100	27,257	(3,843)
Intergovernmental	278,382	569,267	568,906	(361)
Charges for Services	2,000	2,000		(2,000)
Miscellaneous	64,000	64,000	56,340	(7,660)
Interest	300	300	133	(167)
Total Receipts	<u>946,778</u>	<u>1,287,663</u>	<u>1,114,904</u>	<u>(172,759)</u>
DISBURSEMENTS				
General Government	587,019	729,619	645,735	83,884
Protection to Persons and Property	2,200	2,000	2,434	(434)
General Health and Sanitation	248,050	572,535	512,647	59,888
Administration	294,866	326,466	325,571	895
Total Disbursements	<u>1,132,135</u>	<u>1,630,620</u>	<u>1,486,387</u>	<u>144,233</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(185,357)</u>	<u>(342,957)</u>	<u>(371,483)</u>	<u>(28,526)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	161,266	161,266	603,266	442,000
Transfers To Other Funds			(242,000)	(242,000)
Total Other Adjustments to Cash (Uses)	<u>161,266</u>	<u>161,266</u>	<u>361,266</u>	<u>200,000</u>
Net Change in Fund Balance	(24,091)	(181,691)	(10,217)	171,474
Fund Balance Beginning	<u>24,191</u>	<u>24,191</u>	<u>153,088</u>	<u>128,897</u>
Fund Balance - Ending	<u>\$ 100</u>	<u>\$ (157,500)</u>	<u>\$ 142,871</u>	<u>\$ 300,371</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 916,641	\$ 916,641	\$ 1,490,796	\$ 574,155
Miscellaneous	1,505	1,505	20,075	18,570
Interest	500	500	411	(89)
Total Receipts	<u>918,646</u>	<u>918,646</u>	<u>1,511,282</u>	<u>592,636</u>
DISBURSEMENTS				
General Government	22,000	22,000	21,600	400
Roads	892,822	941,822	943,295	(1,473)
Capital Projects	5,000	5,000		5,000
Administration	239,558	190,558	216,694	(26,136)
Total Disbursements	<u>1,159,380</u>	<u>1,159,380</u>	<u>1,181,589</u>	<u>(22,209)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(240,734)</u>	<u>(240,734)</u>	<u>329,693</u>	<u>570,427</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			150,000	150,000
Transfers To Other Funds	(161,266)	(161,266)	(411,266)	(250,000)
Total Other Adjustments to Cash (Uses)	<u>(161,266)</u>	<u>(161,266)</u>	<u>(261,266)</u>	<u>(100,000)</u>
Net Change in Fund Balance	(402,000)	(402,000)	68,427	470,427
Fund Balance Beginning	<u>402,000</u>	<u>402,000</u>	<u>430,126</u>	<u>28,126</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 498,553</u>	<u>\$ 498,553</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 117,700	\$ 117,700	\$ 29,774	\$ (87,926)
Charges for Services	32,000	32,000	27,965	(4,035)
Miscellaneous	1,500	1,500	3,916	2,416
Interest	100	100	28	(72)
Total Receipts	<u>151,300</u>	<u>151,300</u>	<u>61,683</u>	<u>(89,617)</u>
DISBURSEMENTS				
Protection to Persons and Property	401,300	515,900	548,626	(32,726)
Capital Projects	1,000			
Administration	155,000	113,300	58,691	54,609
Total Disbursements	<u>557,300</u>	<u>629,200</u>	<u>607,317</u>	<u>21,883</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(406,000)</u>	<u>(477,900)</u>	<u>(545,634)</u>	<u>(67,734)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	400,000	400,000	593,000	193,000
Transfer To Other Funds			(60,000)	(60,000)
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>	<u>533,000</u>	<u>133,000</u>
Net Change in Fund Balance	(6,000)	(77,900)	(12,634)	65,266
Fund Balance Beginning (Restated)	<u>6,000</u>	<u>6,000</u>	<u>19,204</u>	<u>13,204</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (71,900)</u>	<u>\$ 6,570</u>	<u>\$ 78,470</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 56,382	\$ (93,618)
Miscellaneous	5,500	5,500	13,166	7,666
Interest	100	100	15	(85)
Total Receipts	<u>155,600</u>	<u>155,600</u>	<u>69,563</u>	<u>(86,037)</u>
DISBURSEMENTS				
General Government	54,250	54,250	55,114	(864)
Protection to Persons and Property	9,904	7,904	3,000	4,904
Social Services	29,046	12,346	1,596	10,750
Recreation and Culture	57,800	73,500	67,460	6,040
Administration	27,700	30,700	24,471	6,229
Total Disbursements	<u>178,700</u>	<u>178,700</u>	<u>151,641</u>	<u>27,059</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23,100)</u>	<u>(23,100)</u>	<u>(82,078)</u>	<u>(58,978)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			45,000	45,000
Total Other Adjustments to Cash (Uses)			<u>45,000</u>	<u>45,000</u>
Net Change in Fund Balance	(23,100)	(23,100)	(37,078)	(13,978)
Fund Balance - Beginning	23,000	23,000	35,197	12,197
Fund Balance - Ending	<u>\$ (100)</u>	<u>\$ (100)</u>	<u>\$ (1,881)</u>	<u>\$ (1,781)</u>

CLINTON COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Supplementary Information - Regulatory Basis
 For The Year Ended June 30, 2016
 (Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 50,000	\$ 50,000	\$	\$ (50,000)
Total Receipts	50,000	50,000		(50,000)
DISBURSEMENTS				
Recreation and Culture	50,000	50,000		50,000
Total Disbursements	50,000	50,000		50,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Other Adjustments to Cash (Uses)				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance Beginning (Restated)				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

FEDERAL GRANTS FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 33,000	\$ 33,000	\$ 50,000	\$ 17,000
Total Receipts	<u>33,000</u>	<u>33,000</u>	<u>50,000</u>	<u>17,000</u>
DISBURSEMENTS				
Protection to Persons and Property	33,000	33,000	50,000	(17,000)
Total Disbursements	<u>33,000</u>	<u>33,000</u>	<u>50,000</u>	<u>(17,000)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

DISASTER AND EMERGENCY SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 43,000	\$ 43,000	\$ 6,069	\$ (36,931)
Miscellaneous	500	500		(500)
Interest	25	25	17	(8)
Total Receipts	<u>43,525</u>	<u>43,525</u>	<u>6,086</u>	<u>(37,439)</u>
DISBURSEMENTS				
Protection to Persons and Property	40,925	40,925	8,972	31,953
Administration	5,600	5,600	1,599	4,001
Total Disbursements	<u>46,525</u>	<u>46,525</u>	<u>10,571</u>	<u>35,954</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(4,485)</u>	<u>(1,485)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(3,000)	(3,000)	(4,485)	(1,485)
Fund Balance - Beginning	<u>3,000</u>	<u>3,000</u>	<u>25,139</u>	<u>22,139</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,654</u>	<u>\$ 20,654</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 60,000	\$ 60,000	\$	\$ (60,000)
Charges for Services	605,000	605,000	476,161	(128,839)
Miscellaneous			8,290	8,290
Interest	2,000	2,000	20,662	18,662
Total Receipts	<u>667,000</u>	<u>667,000</u>	<u>505,113</u>	<u>(161,887)</u>
DISBURSEMENTS				
Protection to Persons and Property	774,900	774,119	788,363	(14,244)
Administration	229,350	255,131	230,645	24,486
Total Disbursements	<u>1,004,250</u>	<u>1,029,250</u>	<u>1,019,008</u>	<u>10,242</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(337,250)</u>	<u>(362,250)</u>	<u>(513,895)</u>	<u>(151,645)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	324,400	324,400	537,000	212,600
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>324,400</u>	<u>324,400</u>	<u>537,000</u>	<u>212,600</u>
Net Change in Fund Balance	(12,850)	(37,850)	23,105	60,955
Fund Balance Beginning (Restated)	<u>12,850</u>	<u>12,850</u>	<u>50,615</u>	<u>37,765</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 73,720</u>	<u>\$ 98,720</u>

CLINTON COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Supplementary Information - Regulatory Basis
 For The Year Ended June 30, 2016
 (Continued)

FORESTRY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Total Receipts	<u>1,000</u>	<u>1,000</u>		<u>(1,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,600	1,600	5	1,595
Total Disbursements	<u>1,600</u>	<u>1,600</u>	<u>5</u>	<u>1,595</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(600)</u>	<u>(600)</u>	<u>(5)</u>	<u>595</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	600	600		(600)
Total Other Adjustments to Cash (Uses)	<u>600</u>	<u>600</u>		<u>(600)</u>
Net Change in Fund Balance			(5)	(5)
Fund Balance Beginning			22	22
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17</u>	<u>\$ 17</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	OCCUPATIONAL TAX FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 860,200	\$ 996,200	\$ 1,316,378	\$ 320,178
Miscellaneous	1,000	1,000		(1,000)
Interest	300	300	386	86
Total Receipts	<u>861,500</u>	<u>997,500</u>	<u>1,316,764</u>	<u>319,264</u>
DISBURSEMENTS				
General Government	56,200	(13,200)	34,391	(47,591)
Administration	65,300	15,800	11,109	4,691
Total Disbursements	<u>121,500</u>	<u>2,600</u>	<u>45,500</u>	<u>(42,900)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>740,000</u>	<u>994,900</u>	<u>1,271,264</u>	<u>276,364</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	<u>(750,000)</u>	<u>(750,000)</u>	<u>(1,276,000)</u>	<u>(526,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(750,000)</u>	<u>(750,000)</u>	<u>(1,276,000)</u>	<u>(526,000)</u>
Net Change in Fund Balance	(10,000)	244,900	(4,736)	(249,636)
Fund Balance Beginning	<u>10,000</u>	<u>10,000</u>	<u>13,405</u>	<u>3,405</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 254,900</u>	<u>\$ 8,669</u>	<u>\$ (246,231)</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200,000	\$ 200,000	\$ 240,866	\$ 40,866
Charges for Services	30,000	30,000	48,783	18,783
Miscellaneous	700	700	1,372	672
Interest	25	25	111	86
Total Receipts	<u>230,725</u>	<u>230,725</u>	<u>291,132</u>	<u>60,407</u>
DISBURSEMENTS				
Protection to Persons and Property	190,625	294,325	306,718	(12,393)
Administration	70,100	47,400	50,480	(3,080)
Total Disbursements	<u>260,725</u>	<u>341,725</u>	<u>357,198</u>	<u>(15,473)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(111,000)</u>	<u>(66,066)</u>	<u>44,934</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	25,000	25,000	131,000	106,000
Transfers To Other Funds			(70,000)	(70,000)
Total Other Adjustments to Cash (Uses)	<u>25,000</u>	<u>25,000</u>	<u>61,000</u>	<u>36,000</u>
Net Change in Fund Balance	(5,000)	(86,000)	(5,066)	80,934
Fund Balance Beginning	<u>5,000</u>	<u>5,000</u>	<u>38,965</u>	<u>33,965</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (81,000)</u>	<u>\$ 33,899</u>	<u>\$ 114,899</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

HOMELAND SECURITY FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	500	500	1,464	964
Total Receipts	500	500	1,464	964
DISBURSEMENTS				
Protection to Persons and Property	6,500	6,500	655	5,845
Total Disbursements	6,500	6,500	655	5,845
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,000)	(6,000)	809	6,809
Net Change in Fund Balance	(6,000)	(6,000)	809	6,809
Fund Balance Beginning	6,000	6,000	967	(5,033)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,776	\$ 1,776

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

SPECIAL CDBG FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 216,600	\$ 216,600	\$	\$ (216,600)
Total Receipts	216,600	216,600		(216,600)
DISBURSEMENTS				
Capital Projects	216,600	216,600	1	216,599
Total Disbursements	216,600	216,600	1	216,599
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(1)	(1)
Net Change in Fund Balance			(1)	(1)
Fund Balance Beginning			1	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

CLINTON COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Supplementary Information - Regulatory Basis
 For The Year Ended June 30, 2016
 (Continued)

TOURISM FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 7,000	\$ 14,000	\$ 7,752	\$ (6,248)
Total Receipts	<u>7,000</u>	<u>14,000</u>	<u>7,752</u>	<u>(6,248)</u>
DISBURSEMENTS				
Capital Projects	7,000	14,000	1,289	12,711
Total Disbursements	<u>7,000</u>	<u>14,000</u>	<u>1,289</u>	<u>12,711</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>6,463</u>	<u>6,463</u>
Net Change in Fund Balance			6,463	6,463
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,463</u>	<u>\$ 6,463</u>

CLINTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

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.

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* – for the General Fund’s ending balance by \$9,422 due to the inclusion of the payroll revolving account’s unreconciled balance.

Note 3. Excess of Disbursements over Appropriations

The following funds and line items had disbursements or transfers in excess of budgeted amounts:

General Fund - protection to persons and property (\$434)

Road Fund - roads (\$1,473); administration (\$26,136)

Jail Fund - protection to persons and property (\$32,726)

LGEA Fund - general government (\$864)

Federal Grants Fund - protection to persons and property (\$17,000)

Ambulance Fund - protection to persons and property (\$14,244)

Occupational Tax Fund - general government (\$47,591)

911 Fund - protection to persons and property (\$12,393); administration (\$3,080)

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CLINTON COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

CLINTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 123,907	\$	\$	\$ 123,907
Buildings and Building Improvements	5,673,662			5,673,662
Vehicles	922,776	185,690		1,108,466
Equipment	1,034,406	89,673		1,124,079
Infrastructure	5,333,959	702,033		6,035,992
Total Capital Assets	<u>\$ 13,088,710</u>	<u>\$ 977,396</u>	<u>\$ 0</u>	<u>\$ 14,066,106</u>

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

June 30, 2016

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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	2-20
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***



The Honorable Richard Armstrong, Clinton County Judge/Executive
Members of the Clinton 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 Clinton County Fiscal Court for the fiscal year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Clinton County Fiscal Court's financial statement and have issued our report thereon dated February 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clinton 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 Clinton County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton 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 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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the Schedule of Findings and Responses as items 2016-001 through 2016-008 to be material weaknesses.

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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton 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 Officials and Planned Corrective Action

Clinton County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. Clinton County's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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,



RFH, PLLC
Lexington, Kentucky
February 27, 2017

**CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended June 30, 2016

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2016-001 The Fiscal Court Lacks Adequate Segregation Of Duties Over Receipts, Disbursements, Recordkeeping, Report Preparation, And Reconciliations

This is a repeat finding and was included in the prior year audit report as finding 2015-001. The fiscal court lacks segregation of duties over the following accounting functions: receipts, collections and processing, recordkeeping, disbursements processing, report preparation, and reconciliations.

The county treasurer prepares and deposits the receipts, posts to the ledgers, prepares reports from those ledgers for submission to the Department for Local Government (DLG), and performs the bank reconciliations. The occupational tax administrator receives and documents payments received for occupational tax and net profits tax. The finance officer prepares a listing of bills for the fiscal court's approval and prints the checks. The county judge/executive and county treasurer sign the checks without evidence of a comparison to the invoices.

The lack of segregation of duties could result in inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

We recommend the fiscal court separate the duties in preparing and depositing receipts, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited staff or budget, strong oversight should be provided over the employee responsible. The employee providing oversight should document this. We also recommend the county treasurer and county judge/executive, prior to signing checks, compare them against the original invoices. This comparison could be documented by both the county judge/executive and county treasurer initialing cancelled invoices. Additionally, we recommend the ledgers maintained by the county treasurer and finance officer be reconciled monthly with documentation of the reconciliation noted.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have gone from one to three people involved in the process. Considering the size of the County, employees have to multitask.

2016-002 The Fiscal Court Had Weak Internal Controls Over Purchase And Procurement Procedures

This is a repeat finding and was included in the prior year audit report as finding 2015-002. The fiscal court lacks segregation of duties and has weak internal controls over purchasing and procurement procedures.

The deficiencies listed below occurred due to the weak controls over purchasing and procurement.

- One invoice was not paid within 30 days from receipt of invoice.
- Adequate documentation was not maintained to support credit card purchases.
- One purchase was not in compliance with the fiscal court's bid policy.

Good internal controls dictate that adequate original supporting documentation be maintained for all disbursements. All original vendor invoices and receipts should be maintained including any supporting documentation, agreed to the corresponding purchase order, and cancelled upon payment. All purchase orders should be approved and issued before the work or service is performed. KRS 65.140 also states "[u]nless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]"

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-002 The Fiscal Court Had Weak Internal Controls Over Purchase And Procurement Procedures
 (Continued)

We recommend the fiscal court maintain all original vendor invoices, including any supporting documentation, and comply with KRS 65.140 by paying vendors within 30 working days unless the purchaser and vendor otherwise contract. In addition, we recommend that the fiscal court review their bid policy, and comply with KRS 424.260 bid requirements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have corrected this at this point.

2016-003 The Fiscal Court Did Not Properly Reconcile All Bank Accounts Including The Revolving
 Payroll Account

All of the bank reconciliations were incorrect or incomplete. The bank reconciliations included stale dated checks, deposits that did not exist, and erroneous balances due to misclassifications. Additionally, controls over transfers were inadequate.

The reconciliations are prepared and reviewed by the same individual. The bank reconciliations were improperly completed and went unnoticed by the county officials which could provide opportunity for inaccurate records or misappropriation of assets. Weak internal controls over reconciliations allowed most bank accounts to become out of balance with their associated fund and the revolving payroll account to accumulate an unexplained balance of \$9,422.

Improperly reconciled accounts could result in surplus or overdraft balances and unnecessary bank fees. Payroll revolving accounts are clearing accounts and should reconcile to a zero balance at the end of each month.

We recommend the county strengthen internal controls over all bank reconciliations, including the revolving payroll account bank reconciliations, to ensure ending reconciled bank balances are sufficient to cover all withdraws issued and the remaining balance is due to a current liability. Bank reconciliations should then be reviewed by the county judge/executive or a person independent of the reconciliation process to verify accuracy and completeness. This could be documented by initialing the reconciliation.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have corrected this at this point.

2016-004 The County Treasurer Did Not Maintain Accurate Financial Records

Numerous audit adjustments and reclassifications were made to the fiscal court's financial records in order to ensure their accuracy. The county treasurer's ledgers did not agree with amounts reflected on the fourth quarter financial report. The annual settlement prepared and submitted by the county treasurer to the fiscal court and the Department for Local Government as required by Kentucky Revised Statutes does not accurately reflect the county's financial position.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-004 The County Treasurer Did Not Maintain Accurate Financial Records (Continued)

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* lists the duties of the county treasurer based on KRS 68.020, 68.300, 68.360(1), and 441.235. This manual requires the county treasurer to maintain the financial records, to receive and disburse money, to invest funds, to prepare financial reports monthly, and to settle accounts within 30 days after the close of each fiscal year. In addition, the manual requires the county treasurer to countersign all checks for payment of funds from the county treasury only if the payment is approved by the fiscal court, sufficient funds are available, and an adequate free balance is available in the properly budgeted appropriation account.

We recommend the county treasurer maintain accurate ledgers and prepare the quarterly financial reports from those ledgers. Bank reconciliations should be accurately prepared, reconciled to the ledgers, and any variances promptly researched and resolved. The county treasurer should also prepare and submit an annual settlement to the fiscal court for approval.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We feel we have corrected this at this point. We have implemented a new software system.

2016-005 The Fiscal Court Lacks Internal Controls Over Payroll

The fiscal court lacks internal controls over payroll and payroll related items. As a result, the following issues were noted:

- One employee was paid overtime when a portion of the total hours were vacation hours.
- Four timesheets were not signed by supervisors.
- One employee did not have complete personnel documentation, specifically an I-9 or signed KRS form.
- Two instances of lack of documentation for employee leave.

We also noted the following:

- Paid health insurance invoices reflect that Clinton County Fiscal Court has paid health insurance premiums for former employees and over withheld or under withheld the employee portion of premiums for current employees. In addition, the health insurance invoices were not canceled and the fiscal court may not be paying from the final invoice. Since the fiscal court is on a bi-weekly pay period, the employee's portion of the health insurance premiums may not always be withheld in advance of the payment being made to the health insurance company. The finance officer is not always paying from the final health insurance invoice for the month, and the health insurance invoice is not being compared to the employee withholding to ensure proper withholdings are being made. The fiscal court may be paying additional health insurance premiums for employees who no longer work for the county and some employees are not paying the proper portion.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-005 The Fiscal Court Lacks Internal Controls Over Payroll (Continued)

- The fiscal court payments to the Kentucky Retirement System did not agree to the county's payroll report for the same period. The reports were not properly compared and corrections made in a timely manner. The fiscal court has overpaid on some employees and underpaid on others. This could also explain the problems associated with a proper reconciliation of the payroll account since the transfer of funds from each department is based on the payroll report, but the fiscal court pays the Kentucky Retirement System based on the calculations on the retirement report.

Weak internal controls have allowed inaccurate payments to employees that are not detected timely. KRS 337.320(1) requires "[e]very employer [to] keep a record of: (a) The amount paid each pay period of each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." KRS 337.285 states, "[n]o employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed." KRS 337.355 states "[e]mployers, except those subject to the Federal Railway Labor Act, shall grant their employees a reasonable period for lunch, and such time shall be as close to the middle of the employee's scheduled work shift as possible. In no case shall an employee be required to take a lunch period sooner than three (3) hours after his work shift commences, nor more than five (5) hours from the time his work shift commences." The department of labor has stated that "[a] fixed salary for a regular workweek longer than 40 hours does not discharge FLSA statutory obligations."

Timesheets should be kept for payroll verification, as a record of leave time used, and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The county administrative code states "[n]on supervisory full time employees shall work forty (40) hours per week." It further states a full time employee is one who works 40 hours a week on a regularly scheduled basis and that the work week begins at on Monday at 6:00 am. The county's personnel ordinance states that "[t]ime off pay (such as vacation or sick leave) may not be considered as hours worked for overtime pay purposes."

Good internal controls require original supporting documentation for all payments, verifying endorsements, and dual signatures for all disbursements. In addition, the fiscal court should only pay expenditures they are responsible for.

The finance officer should verify that employee withholdings cover their required portion of health insurance premiums and should also ensure that only current employees are included on the health insurance invoice. This can be done by printing a deduction report and comparing it to the health insurance invoice prior to paying. The final invoices should be used to pay the health insurance premiums and it should be annotated paid.

The finance officer should verify that employee's withholdings are withheld at the correct rate, depending on the date the employee entered into the retirement system. In addition, the fiscal court's payroll report should be compared to the Kentucky Retirement Systems report and ensure that the wages, withholdings, and matching agree to what is due and what is paid. This can be documented by initialing the reports after comparison is completed.

We recommend the fiscal court strengthen internal controls over the payroll process to ensure timecards/timesheets are prepared each pay period for all employees, are submitted and signed by employees, and approved by supervisors.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-005 The Fiscal Court Lacks Internal Controls Over Payroll (Continued)

We recommend the employees sign a request form that is approved by the supervisor and submitted with the timecard to the finance office. In addition, the employees' leave balances could be incorporated on their pay stub to ensure accuracy. We further recommend pay checks not be issued prior to paydays authorized by the county's policy. In addition, we recommend that employee's timesheets reflect actual hours worked and they annotate times in/out for lunch in order to ensure compliance with KRS 337.355. The fiscal court should also review their administrative code to ensure compliance with their code regarding payroll issues.

Also, all payroll and benefit returns such as health insurance and Kentucky Retirement Systems should be reconciled each pay period to employee withholdings.

Although magistrates are not required by the administrative code to maintain timesheets, timesheets provide a record of hours worked and ensure proper eligible for benefits. Therefore we recommend that magistrates prepare and submit timesheets.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We moved payroll responsibilities to a different person and the new software system makes reconciliations easier.

2016-006 Fiscal Court Disbursements Exceeded Budgeted Appropriations

Certain expenditures in the budget exceeded budgeted amounts due to weak internal controls over expenditures and budgeting.

Purchase requests should not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate budget transfers have been made. Each time the fiscal court overdraws on a line item, it may be violating KRS 68.300, which states "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void."

We recommend the county treasurer present line item budget transfers to the fiscal court as necessary to ensure disbursements do not exceed budgeted appropriations.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will take steps to fix this.

2016-007 The Jailer Lacks Adequate Segregation Of Duties Over The Jail Commissary Fund And The Inmate Account

The jailer lacks segregation of duties over the jail commissary and the inmate accounts.

The jail bookkeeper collects money, issues receipts, prepares and deposits receipts, writes and signs checks, posts to the ledgers, and prepares bank reconciliations.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2016
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2016-007 The Jailer Lacks Adequate Segregation Of Duties Over The Jail Commissary Fund And The Inmate Account (Continued)

As a result, the following deficiencies were noted:

- One invoice was not paid within 30 days from receipt of invoice, and incurred a late charge.
- One check copy only had one signature for approval.

Compensating controls were put in place and generally working effectively for receipts, disbursements, and bank reconciliation processes.

A compensating control does not eliminate the control deficiency, but potentially limits the severity. The jailer reviewed daily checkout sheets comparing to the daily deposit and documented those reviews with his initials. The jailer also reviewed all cancelled invoices, comparing to the checks written for payment and documented those reviews with his initials and signed checks for payment. There were two signatures on checks with one being the jailer. In addition, the jailer reviewed monthly reports, bank statements, and bank reconciliations for both accounts documenting his review with his initials.

We recommend that the jailer continue to implement compensating controls over all accounting functions of the jail commissary fund and inmate account to offset this lack of segregation of duties.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: We will try to improve this process.

2016-008 The Jailer Did Not Deposit Receipts Intact Daily

Receipts and deposits for the jail commissary fund were not deposited timely. Due to limited staff, deposits are made whenever time allows. Untimely deposits can increase the risk of misappropriation of cash.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the *County Budget Preparation and State Local Finance Officer Policy Manual* require that deposits be made daily. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft. We recommend the jailer require his bookkeeper to make daily deposits for the jail commissary fund and inmate account to ensure compliance with the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: We will try to improve this process.

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

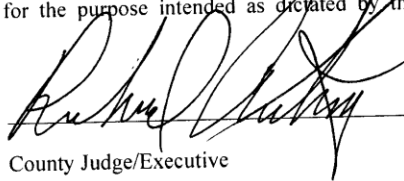
CLINTON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2016**


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

For The Fiscal Year Ended June 30, 2016

The Clinton 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

