

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

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CLINTON COUNTY FISCAL COURT

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Clinton County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Clinton County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$7,836,451 as of June 30, 2011. The fiscal court had unrestricted net assets of \$380,839 in its governmental activities as of June 30, 2011, with total net assets of \$7,795,436. Total net cash and cash equivalents for the business-type activities were \$41,015 with total net assets of \$41,015.

Report Comments:

- 2011-01 The Fiscal Court Should Advertise For And Award Bids In Accordance With KRS 424.260 And The County's Administrative Code
- 2011-02 The Jailer Should Submit Sales Tax Reports In A Timely Manner
- 2011-03 The Fiscal Court Should Improve Internal Controls Over Payroll
- 2011-04 The Fiscal Court Should Improve Internal Control Procedures Over Receipts And Disbursements
- 2011-05 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2011-06 The Jailer Lacks Adequate Segregation Of Duties Over The Inmate And Jail Canteen Accounts
- 2011-07 Receipts Of The Jail Commissary Fund And The Jail Inmate Fund Were Not Deposited In A Timely Manner

Deposits:

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

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Clinton County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, Clinton County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Lyle Huff, Clinton County Judge/Executive
Members of the Clinton County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clinton County, Kentucky's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2011 on our consideration of Clinton County, Kentucky'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 and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2011-01 The Fiscal Court Should Advertise For And Award Bids In Accordance With KRS 424.260 And The County's Administrative Code
- 2011-02 The Jailer Should Submit Sales Tax Reports In A Timely Manner
- 2011-03 The Fiscal Court Should Improve Internal Controls Over Payroll
- 2011-04 The Fiscal Court Should Improve Internal Control Procedures Over Receipts And Disbursements
- 2011-05 The Fiscal Court Should Improve Purchase And Procurement Procedures
- 2011-06 The Jailer Lacks Adequate Segregation Of Duties Over The Inmate And Jail Canteen Accounts
- 2011-07 Receipts Of The Jail Commissary Fund And The Jail Inmate Fund Were Not Deposited In A Timely Manner

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

November 2, 2011

CLINTON COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Lyle K. Huff	County Judge/Executive
Phillip Parrigin	Magistrate
Patty Guinn	Magistrate
Willard Johnson	Magistrate
Ricky Craig	Magistrate
Charlotte Bernard	Magistrate
Mickey Riddle	Magistrate

Other Elected Officials:

Micheal A. Rains	County Attorney
Gene Ferrill	Jailer
Jim Elmore	County Clerk
Jake Staton	Circuit Court Clerk
Ricky Riddle	Sheriff
Billy Joe Coop	Property Valuation Administrator
Steve Talbott	Coroner

Appointed Personnel:

Dallas Sidwell	County Treasurer
Jo Ann Felkins	Occupational Tax Collector
Tuesday Davis	Finance Officer

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CLINTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

CLINTON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 489,391	\$ 41,015	\$ 530,406
Revolving Payroll Account- Cash Surplus	42,317		42,317
Total Current Assets	<u>531,708</u>	<u>41,015</u>	<u>572,723</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	3,496,104		3,496,104
Land and Land Improvements	123,907		123,907
Buildings	1,110,018		1,110,018
Other Equipment	285,644		285,644
Vehicles and Equipment	271,692		271,692
Infrastructure	1,976,363		1,976,363
Total Noncurrent Assets	<u>7,263,728</u>		<u>7,263,728</u>
Total Assets	<u>7,795,436</u>	<u>41,015</u>	<u>7,836,451</u>
NET ASSETS			
Invested in Capital Assets	7,263,728		7,263,728
Restricted:			
Protection to Persons and Property	8,461		8,461
Roads	142,408		142,408
Unrestricted	380,839	41,015	421,854
Total Net Assets	<u>\$ 7,795,436</u>	<u>\$ 41,015</u>	<u>\$ 7,836,451</u>

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

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CLINTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

CLINTON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,062,273	\$ 149,432	\$	\$
Protection to Persons and Property	1,961,366	682,845	63,597	97,413
General Health and Sanitation	225,601		114,109	
Social Services	23,573			190,358
Recreation and Culture	42,912			1,316,288
Roads	933,547			935,739
Total Governmental Activities	<u>4,249,272</u>	<u>832,277</u>	<u>177,706</u>	<u>2,539,798</u>
Business-type Activities:				
Jail Canteen	35,552	29,290		
Total Business-type Activities	<u>35,552</u>	<u>29,290</u>		
Total Primary Government	<u>\$ 4,284,824</u>	<u>\$ 861,567</u>	<u>\$ 177,706</u>	<u>\$ 2,539,798</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Net Profits Taxes

Other Taxes

In Lieu Tax Payments

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

CLINTON COUNTY
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For The Year Ended June 30, 2011
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (912,841)	\$	\$ (912,841)
(1,117,511)		(1,117,511)
(111,492)		(111,492)
166,785		166,785
1,273,376		1,273,376
2,192		2,192
(699,491)		(699,491)
	(6,262)	(6,262)
	(6,262)	(6,262)
(699,491)	(6,262)	(705,753)
206,971		206,971
1,222		1,222
39,861		39,861
747,323		747,323
69,521		69,521
437,736		437,736
130,532		130,532
23,569		23,569
74,456	1,497	75,953
12,456	11	12,467
1,743,647	1,508	1,745,155
1,044,156	(4,754)	1,039,402
6,751,280	45,769	6,797,049
\$ 7,795,436	\$ 41,015	\$ 7,836,451

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

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CLINTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

CLINTON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General Fund	Road Fund	Non- Major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 284,666	\$ 142,408	\$ 62,317	\$ 489,391
Revolving Payroll Account- Cash Surplus	42,317			42,317
Total Assets	<u>326,983</u>	<u>142,408</u>	<u>62,317</u>	<u>531,708</u>
FUND BALANCE				
Restricted:				
Protection to Persons and Property			8,461	8,461
Roads		142,408		142,408
Assigned:				
Protection to Persons and Property	65,859		53,856	119,715
Unassigned	261,124			261,124
Total Fund Balances	<u>\$ 326,983</u>	<u>\$ 142,408</u>	<u>\$ 62,317</u>	<u>\$ 531,708</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 531,708
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	10,560,666
Accumulated Depreciation	<u>(3,296,938)</u>
Net Assets Of Governmental Activities	<u>\$ 7,795,436</u>

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

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CLINTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

CLINTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>State Grants Fund</u>	<u>Non- Major Funds</u>
REVENUES				
Taxes	\$ 1,152,146			\$ 228,571
In Lieu Tax Payments	130,532			
Excess Fees	23,569			
Licenses and Permits	29,815			
Intergovernmental	554,305	935,739	1,316,288	242,946
Charges for Services	567,857			24,750
Miscellaneous	73,140	1,236		80
Interest	10,495	1,922		37
Total Revenues	<u>2,541,859</u>	<u>938,897</u>	<u>1,316,288</u>	<u>496,384</u>
EXPENDITURES				
Current:				
General Government	727,361	21,600		
Protection to Persons and Property	1,304,317			277,891
General Health and Sanitation	221,960			
Social Services	9,151			47,700
Recreation and Culture	42,912		1,316,288	
Roads		508,778		
Capital Projects				142,658
Administration	704,891	165,925		55,711
Total Expenditures	<u>3,010,592</u>	<u>696,303</u>	<u>1,316,288</u>	<u>523,960</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(468,733)</u>	<u>242,594</u>		<u>(27,576)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	150,000	30,000		30,650
Transfers To Other Funds	(60,650)	(150,000)		
Total Other Financing Sources (Uses)	<u>89,350</u>	<u>(120,000)</u>		<u>30,650</u>
Net Change in Fund Balances	(379,383)	122,594		3,074
Fund Balances - Beginning (Restated)	706,366	19,814		59,243
Fund Balances - Ending	<u>\$ 326,983</u>	<u>\$ 142,408</u>	<u>\$ 0</u>	<u>\$ 62,317</u>

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

CLINTON COUNTY
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 For The Year Ended June 30, 2011
 (Continued)

Total Governmental Funds
\$ 1,380,717
130,532
23,569
29,815
3,049,278
592,607
74,456
12,454
5,293,428
748,961
1,582,208
221,960
56,851
1,359,200
508,778
142,658
926,527
5,547,143
(253,715)
210,650
(210,650)
(253,715)
785,423
\$ 531,708

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

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**CLINTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

**CLINTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (253,715)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,793,566
Depreciation Expense	<u>(495,695)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,044,156</u></u>
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CLINTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

CLINTON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Commissary Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 41,015
Total Current Assets	41,015
Net Assets	
Unrestricted	41,015
Total Net Assets	\$ 41,015

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

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CLINTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

CLINTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund
	Jail Commissary Fund
Operating Revenues	
Canteen Receipts	\$ 29,290
Total Operating Revenues	29,290
Operating Expenses	
Cost of Sales	21,841
Educational and Recreational	4,667
Sales Tax	1,998
Office Supplies	338
Total Operating Expenses	28,844
Operating Income (Loss)	446
Nonoperating Revenues (Expenses)	
Interest Income	11
Medical Fees	1,497
Medical Payments	(6,708)
Total Nonoperating Revenues (Expenses)	(5,200)
Change In Net Assets	(4,754)
Total Net Assets - Beginning	45,769
Total Net Assets - Ending	\$ 41,015

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

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CLINTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

CLINTON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund	Jail Commissary Fund
	<u> </u>	<u> </u>
Cash Flows From Operating Activities		
Receipts From Customers for Sales	\$ 29,290	
Payments to Vendors	(26,508)	
Payments to State	(1,998)	
Payments to Other Sources	(338)	
Net Cash Provided By Operating Activities	<u>446</u>	
Cash Flows From Noncapital Financing Activities		
Medical Fees From Inmates	1,497	
Medical Payments	(6,708)	
Net Cash Provided By Noncapital Financing Activities	<u>(5,211)</u>	
Cash Flows From Investing Activities		
Interest Earned	11	
Net Cash Provided By Investing Activities	<u>11</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(4,754)	
Cash and Cash Equivalents - July 1, 2010	<u>45,769</u>	
Cash and Cash Equivalents - June 30, 2011	<u><u>\$ 41,015</u></u>	

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

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CLINTON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

CLINTON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	<u>Fiduciary Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,919
Total Assets	<u>2,919</u>
Liabilities	
Amounts Held In Custody For Others	<u>2,919</u>
Total Liabilities	<u>2,919</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

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

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TO THE FINANCIAL STATEMENTS**

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CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Clinton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, as amended by GASB 39, there are no component units which merit consideration as part of the reporting entity.

C. Clinton County Elected Officials

Kentucky law provides for election of the officials 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 statements of Clinton County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and 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.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental 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 a separate fund has been established by management to account for significant restricted and/or committed revenue sources that are to be used for a specific purpose as established by law or a third party.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants.

State Grants Fund - The purpose of this fund is to account for the receipt and expenditure of grant funds received from the state. The primary sources of revenue for this fund are grants from the Kentucky State Treasurer.

The primary government also has the following non-major funds: Federal Grants Fund, Disaster and Emergency Services Fund, Forestry Fund, 911 Fund, Homeland Security Fund, and the Special Community Development Block Grant Fund.

Special Revenue Funds:

The Road Fund, State Grants Fund, Federal Grants Fund, Disaster and Emergency Services Fund, Forestry Fund, 911 Fund, Homeland Security Fund, and the Special Community Development Block Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Commissary Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The primary government reports the following major proprietary fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation 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.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Jail Inmate Fund is used to account for inmate monies held by the Jailer for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are 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.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, 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).

F. 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 in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	2-20
Infrastructure	\$ 20,000	10-50

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Judge/Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (Continued)

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following is considered a related organization of Clinton County Fiscal Court: Clinton County Industrial Authority.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Clinton County Fiscal Court participates in two joint ventures. The Albany-Clinton County Recreational Park Board is a joint venture with the city of Albany and the Clinton County Board of Education. The Tri-County Animal Control is a joint venture with the Cumberland County and Wayne County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following is considered a jointly governed organization of the Clinton County Fiscal Court: Clinton-Cumberland Airport Board.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 2. Deposits

The primary government 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(4), 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 county 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 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$ 2,037,158	\$ 1,458,946	\$	\$ 3,496,104
Land and Land Improvements	123,907			123,907
Total Capital Assets Not Being Depreciated	2,161,065	1,458,946		3,620,011
Capital Assets, Being Depreciated:				
Buildings	1,736,259	47,700		1,783,959
Other Equipment	561,568	190,613		752,181
Vehicles and Equipment	753,776			753,776
Infrastructure	3,554,432	96,307		3,650,739
Total Capital Assets Being Depreciated	6,606,035	334,620		6,940,655
Less Accumulated Depreciation For:				
Buildings	(634,796)	(39,145)		(673,941)
Other Equipment	(412,581)	(53,956)		(466,537)
Vehicles and Equipment	(419,776)	(62,308)		(482,084)
Infrastructure	(1,334,090)	(340,286)		(1,674,376)
Total Accumulated Depreciation	(2,801,243)	(495,695)		(3,296,938)
Total Capital Assets, Being Depreciated, Net	3,804,792	(161,075)		3,643,717
Government Activities Capital Assets, Net	\$ 5,965,857	\$ 1,297,871	\$	\$ 7,263,728
<u>Governmental Activities:</u>				
General Government			\$	37,374
Protection to Persons and Property				85,107
General Health and Sanitation				3,641
Social Services				14,422
Roads				355,151
Total Depreciation Expense - Governmental Activities			\$	495,695

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Employee Retirement System

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. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$250,302, FY 2010 was \$306,433, and FY 2011 was \$322,281.

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 (members 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:

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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Insurance

For the fiscal year ended June 30, 2011, 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 a 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 6. Prior Period Adjustment

The beginning balance of governmental activities has been restated by \$43,341 to reflect adjustments made to beginning cash balances due to the voiding of prior year outstanding checks and to account for the cash surplus in the Payroll Revolving Account.

Note 7. Change in Accounting Principle

The Clinton County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of Fund Balance on the Balance Sheet – Governmental Funds and the presentation of funds. The Jail Fund, Local Government Economic Assistance Fund, Ambulance Fund, and Occupational Tax Fund previously presented no longer meet the definition of a special revenue fund and have now been combined with the General Fund. The implementation did not cause a restatement of total beginning fund balance or beginning net assets.

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 333,000	\$ 333,000	\$ 335,301	\$ 2,301
In Lieu Tax Payments	129,000	129,000	130,532	1,532
Excess Fees	24,841	24,841	23,569	(1,272)
Licenses and Permits	33,100	33,100	29,815	(3,285)
Intergovernmental Revenue	199,600	274,100	235,286	(38,814)
Charges for Services	4,500	4,500		(4,500)
Miscellaneous	60,310	60,310	62,268	1,958
Interest	4,000	4,000	1,749	(2,251)
Total Revenues	<u>788,351</u>	<u>862,851</u>	<u>818,520</u>	<u>(44,331)</u>
EXPENDITURES				
General Government	585,893	739,343	654,097	85,246
Protection to Persons and Property	4,500	4,500	2,105	2,395
General Health and Sanitation	191,268	236,018	221,960	14,058
Administration	357,190	383,657	311,805	71,852
Total Expenditures	<u>1,138,851</u>	<u>1,363,518</u>	<u>1,189,967</u>	<u>173,551</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(350,500)</u>	<u>(500,667)</u>	<u>(371,447)</u>	<u>129,220</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	250,000	250,000	200,000	(50,000)
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>200,000</u>	<u>(50,000)</u>
Net Changes in Fund Balance	(100,500)	(250,667)	(171,447)	79,220
Fund Balance - Beginning	<u>100,500</u>	<u>287,769</u>	<u>287,807</u>	<u>38</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 37,102</u>	<u>\$ 116,360</u>	<u>\$ 79,258</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,021,080	\$ 1,021,080	\$ 935,739	\$ (85,341)
Miscellaneous	1,005	1,005	1,236	231
Interest	2,000	2,000	1,922	(78)
Total Revenues	1,024,085	1,024,085	938,897	(85,188)
EXPENDITURES				
General Government	22,000	22,000	21,600	400
Roads	619,918	619,918	508,778	111,140
Capital Projects	115,000	115,000		115,000
Administration	217,167	217,167	165,925	51,242
Total Expenditures	974,085	974,085	696,303	277,782
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>242,594</u>	<u>192,594</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			30,000	30,000
Transfers To Other Funds	(150,000)	(150,000)	(150,000)	
Total Other Financing Sources (Uses)	(150,000)	(150,000)	(120,000)	30,000
Net Changes in Fund Balance	(100,000)	(100,000)	122,594	222,594
Fund Balance - Beginning	100,000	100,000	19,814	(80,186)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,408</u>	<u>\$ 142,408</u>

CLINTON COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2011
 (Continued)

	STATE GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,009,091	\$ 3,009,091	\$ 1,316,288	\$ (1,692,803)
Total Revenues	<u>3,009,091</u>	<u>3,009,091</u>	<u>1,316,288</u>	<u>(1,692,803)</u>
EXPENDITURES				
Recreation and Culture	3,009,091	3,009,091	1,316,288	1,692,803
Total Expenditures	<u>3,009,091</u>	<u>3,009,091</u>	<u>1,316,288</u>	<u>1,692,803</u>
Net Changes in Fund Balances				
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CLINTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 818,520
To adjust for Jail Fund Revenues	123,044
To adjust for LGEA Fund Revenues	127,186
To adjust for Ambulance Fund Revenues	656,112
To adjust for Occupational Tax Fund Revenues	<u>816,997</u>
Total Revenues-Modified Cash Basis	<u>\$ 2,541,859</u>
Total Expenditures-Budgetary Basis	\$ 1,189,967
To adjust for Jail Fund Expenditures	600,962
To adjust for LGEA Fund Expenditures	110,257
To adjust for Ambulance Fund Expenditures	1,071,203
To adjust for Occupational Tax Fund Expenditures	<u>38,203</u>
Total Expenditures-Modified Cash Basis	<u>\$ 3,010,592</u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ 200,000
To adjust for Jail Fund Transfers In	396,000
To adjust for Ambulance Fund Transfers In	294,000
To adjust for Occupation Tax Fund Transfers Out	<u>(800,650)</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u>\$ 89,350</u>
Total Fund Balance-Beginning-Budgetary Basis	\$ 287,807
To adjust for Jail Fund Beginning Balance	94,508
To adjust for LGEA Fund Beginning Balance	61,903
To adjust for Ambulance Fund Beginning Balance	174,360
To adjust for Occupational Tax Fund Beginning Balance	45,471
To adjust for Payroll Account Beginning Balance	<u>42,317</u>
Total Fund Balance-Beginning-Modified Cash Basis	<u>\$ 706,366</u>

CLINTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(Continued)

Reconciliation of the General Fund (Continued)

Total Fund Balance-Ending-Budgetary Basis	\$ 116,360
To adjust for Jail Fund Ending Balance	12,590
To adjust for LGEA Fund Ending Balance	78,832
To adjust for Ambulance Fund Ending Balance	53,269
To adjust for Occupational Tax Fund Ending Balance	23,615
To adjust for Payroll Account Ending Balance	<u>42,317</u>
Total Fund Balance-Ending-Modified Cash Basis	<u>\$ 326,983</u>

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**CLINTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2011

CLINTON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Disaster and Emergency Services Fund	Forestry Fund	911 Fund	Homeland Security Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 23,361	\$ 37	\$ 30,495	\$ 8,424	\$ 62,317
Total Assets	<u>23,361</u>	<u>37</u>	<u>30,495</u>	<u>8,424</u>	<u>62,317</u>
FUND BALANCES					
Restricted:					
Protection to Persons and Property		37		8,424	8,461
Assigned:					
Protection to Persons and Property	23,361		30,495		53,856
Total Fund Balances	<u>\$ 23,361</u>	<u>\$ 37</u>	<u>\$ 30,495</u>	<u>\$ 8,424</u>	<u>\$ 62,317</u>

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

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CLINTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

CLINTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Federal Grants Fund	Disaster and Emergency Services Fund	Forestry Fund	911 Fund
REVENUES				
Taxes	\$	\$	\$ 871	\$ 227,700
Intergovernmental	47,700	29,588		23,000
Charges for Services				24,750
Miscellaneous				80
Interest		8		29
Total Revenues	<u>47,700</u>	<u>29,596</u>	<u>871</u>	<u>275,559</u>
EXPENDITURES				
Protection to Persons and Property		8,644	1,502	267,745
Social Services	47,700			
Capital Projects				
Administration		1,704		54,007
Total Expenditures	<u>47,700</u>	<u>10,348</u>	<u>1,502</u>	<u>321,752</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>19,248</u>	<u>(631)</u>	<u>(46,193)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			650	30,000
Total Other Financing Sources (Uses)			<u>650</u>	<u>30,000</u>
Net Change in Fund Balances		19,248	19	(16,193)
Fund Balances - Beginning		4,113	18	46,688
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 23,361</u>	<u>\$ 37</u>	<u>\$ 30,495</u>

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

CLINTON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Other Supplementary Information
 For The Year Ended June 30, 2011
 (Continued)

Homeland Security Fund	Special Community Development Block Grant Fund	Total Non-Major Governmental Funds
\$	\$	\$ 228,571
	142,658	242,946
		24,750
		80
		37
	<u>142,658</u>	<u>496,384</u>
		277,891
		47,700
	142,658	142,658
		55,711
	<u>142,658</u>	<u>523,960</u>
		(27,576)
		30,650
		<u>30,650</u>
		3,074
8,424		59,243
<u>\$ 8,424</u>	<u>\$ 0</u>	<u>\$ 62,317</u>

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

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Lyle Huff, 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 Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 2, 2011. Clinton County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit 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.

Internal Control Over Financial Reporting

Management of the Clinton County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clinton County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinton County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clinton County Fiscal Court's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2011-04, 2011-05, 2011-06, and 2011-07 in the accompanying comments and recommendations to be material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2011-03 in the accompanying comments and recommendations to be a significant deficiency.

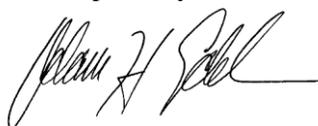
Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton County's financial statements as of and for the year ended June 30, 2011, are 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendation as items 2011-01 and 2011-02.

The Clinton County Judge/Executive's and the County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive and County Jailer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

November 2, 2011

**CLINTON COUNTY
COMMENTS AND RECOMENDATIONS**

For The Year Ended June 30, 2011

**CLINTON COUNTY
COMMENTS AND RECOMENDATIONS**

Fiscal Year Ended June 30, 2011

STATE LAWS AND REGULATIONS

2011-01 The Fiscal Court Should Advertise For And Award Bids In Accordance With KRS 424.260 And The County's Administrative Code

During the review of expenditures, we noted one (1) instance where bids were not obtained as required by KRS 424.260 or were not awarded in accordance with the county's administrative code. The Clinton County Fiscal Court received a federal grant totaling \$97,413 to be used for the purchase of Cardiac Monitors. The county did not advertise for and obtain bids for the Cardiac Monitors.

KRS 424.260 states "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except for perishable meat, fish and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000), without first making newspaper advertisement for bids." The county's administrative code requires that any purchase over twenty thousand dollars (\$20,000) be bid. We recommend the fiscal court comply with KRS 424.260 and the county's administrative code by obtaining and properly awarding bids for all purchases over twenty thousand dollars (\$20,000).

County Judge/Executive Lyle Huff's Response: No response.

2011-02 The Jailer Should Submit Sales Tax Reports In A Timely Manner

During our test of sales tax we noted the Jailer did not submit sales tax reports to the Kentucky Department of Revenue in a timely manner. As a result of this, the Jailer paid a total of \$296 for penalties, late fees, and interest. KRS 139.550 requires sales tax collected by retailers to be remitted to the Kentucky Department of Revenue on or before the 20th day of the month following each calendar month. In addition, since the Jailer did not file any sales tax reports until November of 2010, he was required to pay assessments of \$547 and \$534 for July and August of 2010, respectfully. These assessment amounts were used to pay the actual amounts due to the Kentucky Department of Revenue once reports were prepared and submitted. Any remaining balance of these assessments is available to the Jailer for a refund or it may be applied to future amounts due. Of the assessment amounts previously noted, \$454 is currently on account with the Kentucky Department of Revenue. We recommend the Jailer file sales tax reports in a timely manner to avoid penalties, late fees, and interest. We also recommend the Jailer request a refund of the amounts overpaid to the Kentucky Department of Revenue.

County Judge/Executive Lyle Huff's Response: Reserve response.

County Jailer Gene Ferrill's Response: Sales tax reports are being made per auditor recommendation.

CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

2011-03 The Fiscal Court Should Improve Internal Controls Over Payroll

As a result of our audit, we noted the fiscal court had weaknesses in internal controls over the payroll process. During our review of payroll, the following instances were noted:

- Two (2) employees charged sick and vacation days which could not be verified against sick and vacation leave balances.
- One (1) timecard was not signed by a supervisor. The road supervisor submits a timecard; however it is not reviewed by his supervisor.
- Two (2) timecards did not support amount paid for hours worked. One employee was paid for 88 hours worked; however the employee's timecard reflected only 83 hours worked. A second employee was paid for 88 hours worked; however the employee's timecard reflected only 84 hours worked.
- One (1) employee tested was not paid overtime for hours worked. During the period reviewed the employee worked 96 hours and was on call for 18 hours and was paid 96 hours regular time and 18 hours for on call.
- Nine (9) employees had withholdings that were not supported by withholding authorizations.
- Salary employees did not always account for a 40 hour work week.
- One department received pay at time and a half while a second department received comp time. However comp time does not appear to be authorized by the county's policy.
- One (1) individual employee who maintains their own balances for sick and vacation time could not produce the records for the time period being audited.
- Payroll checks for the pay period ended July 15, 2010 were issued prior to payday.
- Two (2) employees appeared to be improperly classified as part-time for retirement purposes. Retirement is not withheld and remitted for employees who, on average work 100 hours or less a month. During fiscal year 2011, the first employee averaged 110 hours per month and the second employee averaged 124 hours per month.
- During the test of health insurance, incorrect health insurance premiums were being withheld from several employees' payroll checks. In addition, the county continued to pay health insurance premiums for several employees after they were terminated. Insurance withholdings and payments for the month of November 2010 were tested. Fifteen (15) employees had incorrect deductions from their payroll checks. Five (5) employees had overpaid \$135, two (2) had unexplained withholding of \$41 and eight (8) had under paid \$163 for the month of November. In addition a total of \$128 was paid by the county for three (3) terminated employees that should have been removed from the county's insurance billing. Inquiry was made to the payroll officer who stated an attempt to correct the problem with the insurance withholdings is ongoing. Variances found by the auditor cannot be explained.

We recommend the Fiscal Court strengthen internal controls over the payroll process to ensure timecards/timesheets are prepared each pay period, accurately account for time worked, are submitted and signed by employees, and approved by supervisors. We also recommend the Fiscal Court takes steps to ensure overtime is properly calculated based on an established work week in compliance with their administrative code. We recommend that employees who average more than 100 hours a month have retirement withheld. We recommend that signed authorizations be maintained in the employees' personnel files for all additional withholdings, that a record of sick, vacation, and comp time be maintained by the payroll officer. We also recommend the Fiscal Court review their administrative code to ensure compliance with their code.

County Judge/Executive Lyle Huff's Response: We will implement the new timecard machines. Also, corrections will be made in payroll as an insurance adjustment departmentally.

CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES

2011-04 The Fiscal Court Should Improve Internal Control Procedures Over Receipts And Disbursements

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: receipts, collection and processing, recording-keeping, disbursement processing, report preparation and reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The County Treasurer prepares and deposits the receipts, posts to the ledger and prepares reports from these 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. The Finance Officer prepares a listing of bills for Fiscal Court's approval and prints the checks. The County Judge and County Treasurer sign the checks without comparing to the invoices.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, 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 number of staff or budget, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

We also recommend the County Treasurer and County Judge/Executive, prior to signing the checks; compare them against the original invoices. Additionally, we recommend the ledgers be maintained by the County Treasurer and Finance Officer and reconciled monthly with documentation of the reconciliation noted.

County Judge/Executive Lyle Huff's Response: The Treasurer and myself will work accordingly with the Auditor's recommendations.

2011-05 The Fiscal Court Should Improve Purchase And Procurement Procedures

During our review of expenditures we noted numerous deficiencies in purchase and procurement procedures. From our sample of tested expenditures we noted the following: thirty three (33) invoices reviewed were not cancelled after payment was made, fourteen (14) invoices were not paid within a 30 day time period, one (1) invoice reflected a pass due balance, two (2) invoices were paid without a purchase order, three (3) invoices were not approved by the supervisor for travel reimbursements, seven (7) PO's were missing supporting documentation, one (1) payment was greater than the amount approved by the Fiscal Court, three (3) expenditures were posted to the wrong account, three (3) overpayments were made to vendors, two (2) underpayments were made to a vendors, one (1) invoice was a copy, one (1) invoice was a fax, one (1) invoice could not be located, and appears to be a duplicate payment to the vendor, interest was paid on the county's credit card, and it was also noted that payments were being made from statements and invoices causing duplicate payments to be made to a vendor. These duplicate payments were credited back to the county on the following month's statement. Auditor also noted haul tickets were not signed by a county employee nor were they turned into the finance officer by a county employee. All haul tickets were turned in by the vendor to the finance officer.

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 purchases order, and cancelled upon payment. All purchases orders should be approved and issued before the work or service is performed. KRS 65.140 also states "Unless the purchaser and vendor otherwise contract all bills for goods and services shall be paid within 30 working days of receipt of a vendor invoice."

**CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)**

INTERNAL CONTROL – MATERIAL WEAKNESSES (Continued)

2011-05 The Fiscal Court Should Improve Purchase And Procurement Procedures (Continued)

We recommend the Fiscal Court maintain all original vendor invoices including any supporting documentation, pay vendors according to invoice, issue purchase orders before work or service is performed, cancel all vendor invoices when paid and comply with KRS 65.140 by paying vendors within thirty (30) working days unless the purchaser and vendor otherwise contract. We also recommend supervisors approve invoices for travel reimbursements. In addition, we recommend all haul tickets be signed by a county employee, and turned into the finance officer to be matched to the vendors invoice before the invoice is paid.

County Judge/Executive Lyle Huff's Response: Finance officer will correct per recommendations of audit.

2011-06 The Jailer Lacks Adequate Segregation Of Duties Over The Inmate And Jail Canteen Accounts

The Clinton County Jailer lacks adequate segregation of duties over the inmate and jail canteen accounts. The jailer does not appear to monitor or involve himself in any accounting issues in regards to these accounts. During the course of evaluating internal controls over the accounts, the following were noted:

- a) The Jailer's bookkeeper performed cashier duties of the jail canteen
- b) The Jailer's bookkeeper solely recorded all entries into the receipts and disbursements ledgers of both accounts
- c) The Jailer's bookkeeper was an authorized check signer for both accounts. In most cases the bookkeeper prepared the checks, posted them to the ledgers, and delivered disbursements without any appearance of the jailer's review
- d) The Jailer's bookkeeper prepared all reconciliations of the receipts and disbursements ledger to bank records. It should be noted, the bookkeeper did not accurately perform these reconciliations.

The Jailer's bookkeeper performed all accounting functions for the jail canteen and inmate accounts without any oversight in these financial areas. This resulted in the bookkeeper having access to all cash receipts, disbursements, and financial records of the accounts. The Jailer does not have any compensating controls in place to offset the lack of segregation of duties.

A segregation of duties over daily checkout procedures, deposit preparation, the preparation of checks, and bank reconciliations are essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against misappropriation of assets and/or inaccurate financial reporting, the Clinton County Jailer should separate the duties involved in receiving cash, recording cash, preparing bank deposits, check preparation, and reconciliation of bank records to the ledgers. If these duties cannot be separated, strong oversight over these areas should be provided. If the Jailer does implement oversight instead of segregating duties this should be documented on the appropriate source document.

County Judge/Executive Lyle Huff's Response: Reserve response.

County Jailer Gene Ferrill's Response: Per recommendation of this audit, the Jailer will take a more proactive role with the auditor's advice and recommendations.

CLINTON COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)

INTERNAL CONTROL – MATERIAL WEAKNESSES (Continued)

2011-07 Receipts Of The Commissary Fund And The Jail Inmate Fund Were Not Deposited In A Timely Manner

During our testing of the receipts of the Commissary Fund and the Jail Inmate Fund, we noted that receipts were not deposited in a timely manner. Nineteen (19) deposits totaling \$10,026 and thirteen (13) deposits totaling \$3,185 were not made to the Jail Commissary and the Jail Inmate Funds respectively until after the end of the fiscal year. These deposits cleared the bank between July 6, 2011 and September 21, 2011 and were for receipts collected from July 13, 2010 through June 30, 2011.

Due to these delays in making deposits, on September 22, 2011 auditors performed a surprise cash count of all funds on hand at the Jail. We found that the jailer had a total of \$882 in cash and money orders on hand at that time. We then obtained the daily collection sheets and copies of the bank statements for both the Jail Commissary and the Jail Inmate Funds for the period of July 1, 2011 through September 22, 2011. Using the jailer's receipts records, we calculated the total recorded receipts of each fund for this time period and compared these totals to the amounts deposited since June 30, 2011. We found that Jail Commissary Fund receipts for this period totaling \$1,968 and Jail Inmate Fund receipts totaling \$4,473 had not been deposited as of September 22, 2011. With the funds on hand at the jail as of September, 22, 2011 this leaves a total of \$5,559 that was not accounted for. Based on these findings it appears that receipts collected from July 1, 2011 through September 22, 2011 were used to cover undeposited receipts for the fiscal year ending June 30, 2011.

We recommend the jailer implement controls to ensure that all receipts of both the Commissary Fund and the Jail Inmate Fund be deposited in a timely manner. These findings will be referred to the appropriate authorities for investigation.

County Judge/Executive Lyle Huff's Response: Reserve response.

County Jailer Gene Ferrill's Response: After this audit the Jailer has implemented a strong oversight of all accounts. As of this day November 15, 2011, all funds and receipts are accounted and deposited.

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

CLINTON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2011**

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

For The Fiscal Year Ended June 30, 2011

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.

A handwritten signature in cursive script, reading "Ryle K. Hubbs", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, reading "Dallas Sidwell", written over a horizontal line.

County Treasurer

