

**REPORT OF THE AUDIT OF THE
JEFFERSON COUNTY
CLERK**

**For The Year Ended
December 31, 2020**



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky and the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 County Fee Officials* 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



The Honorable Greg Fischer, Mayor, Jefferson Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Jefferson County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements 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 Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Jefferson County Clerk, as of December 31, 2020, 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 statements referred to above present fairly, in all material respects, the receipts and disbursements of the Jefferson County Clerk and the receipts, disbursements, and fund balances of the Jefferson County Clerk's operating fund and county fund with the state treasurer for the year ended December 31, 2020, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2022, on our consideration of the Jefferson County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

May 3, 2022

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2020

Receipts

Federal Grant		\$	332,936
Libraries and Archives Grant			22,753
State Fees For Services			69,357
Louisville Metro Government			5,560,967
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	20,046,398	
Usage Tax		81,863,395	
Tangible Personal Property Tax		77,180,707	
Other-			
Marriage Licenses		123,970	
Shelter For Spouse Abuse		35,100	
Deed Transfer Tax		5,697,164	
Delinquent Tax		10,641,996	
Delinquent Tax Sales Deposits		12,463,660	208,052,390
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		926,775	
Real Estate Mortgages		3,299,024	
Chattel Mortgages and Financing Statements		1,218,249	
Powers of Attorney		101,601	
Affordable Housing Trust		1,065,108	
Bail Bonds		1,064	
Fee for Library and Archives		139,121	
Tax Liens		521,294	
Extra Pages		100,575	
Assignments		109,230	
Releases		1,552,088	
Probate		51,624	
Lien Holder Penalties		5,161	
Corporate and Business		73,589	
Notary		211,590	
All Other Recordings		19,817	

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

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

Receipts (Continued)

Fees Collected for Services: (Continued)

Charges for Other Services-

Candidate Filing Fees	\$	21,080	
Legal Records - Clerical Fees		2,531,853	
Postage		519,302	
Tracing		37,597	
Photostat		15,001	
Election Center Miscellaneous		1,519	
Motor Vehicle - Miscellaneous		245,339	
Returned Check Fees		3,643	
Miscellaneous (Reimbursed)		<u>3,000</u>	\$ 12,774,244

Interest Earned		<u>20,227</u>
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Total Receipts		226,832,874
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	13,780,795	
Usage Tax		79,406,704	
Tangible Personal Property Tax		30,026,674	
Licenses, Taxes, and Fees-			
Delinquent Tax		798,456	
Legal Process Tax		572,383	
Affordable Housing Trust		<u>1,065,108</u>	125,650,120

Payments to Fiscal Court:

Tangible Personal Property Tax		8,441,405	
Delinquent Tax		1,911,863	
Deed Transfer Tax		<u>5,412,306</u>	15,765,574

Payments to Other Districts:

Tangible Personal Property Tax		35,625,400	
Delinquent Tax		<u>4,831,244</u>	40,456,644

Payments to Sheriff		807,466
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The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

Disbursements (Continued)

Other Regulatory Payments:

Delinquent Tax Sale Deposit Refunds	\$	12,463,660
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Payments to County Attorney		1,450,442
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Libraries and Archives Grant		22,753
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Other Disbursements:

Bank Credit Card Fees	\$	673,779	
Election Expense		<u>41,081</u>	<u>714,860</u>

Total Disbursements			<u>\$ 197,331,519</u>
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Net Receipts			29,501,355
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Payments to State Treasurer:

75% Operating Fund *		24,437,453	
25% County Fund		<u>5,063,902</u>	<u>29,501,355</u>

Balance Due at Completion of Audit			<u>\$ 0</u>
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* Includes reimbursed expenses in the amount of \$9,245,746 for the audit period.
See Note 1 of Notes to Financial Statements.

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2020

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2020	\$ 642,811	\$	\$ 642,811
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	24,437,453		24,437,453
Fees Paid to State - County Funds (25%)		5,063,902	5,063,902
Total Funds Available	25,080,264	5,063,902	30,144,166
<u>Disbursements</u>			
Jefferson County/Louisville Metro Government		5,063,902	5,063,902
Personnel Services-			
Official's Statutory Maximum	129,375		129,375
Official's Expense Allowance	3,600		3,600
Deputies' Salaries	9,553,417		9,553,417
Overtime Gross	50,678		50,678
Employee Benefits-			
Employer's Share Social Security	715,845		715,845
Employer's Share Retirement	2,275,065		2,275,065
Employer's Share Health Insurance	2,134,430		2,134,430
Workers' Compensation	73,977		73,977
Unemployment Insurance	27,739		27,739
Other Payroll Disbursements	5,670		5,670
Occupancy-			
Rent	85,440		85,440
Telephone	160,839		160,839
Gas/Electric	19,211		19,211
Mileage and Gasoline - Delivery	10,172		10,172
Maintenance and Repairs	529,630		529,630

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

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<u>Disbursements</u> (Continued)			
Services-			
Personal Services	\$ 347,004	\$	\$ 347,004
Security Services	134,686		134,686
Janitorial Services	78,260		78,260
Printing	1,458,410		1,458,410
Advertising	153,569		153,569
Election Workers Payments	1,405,795		1,405,795
Supplies-			
Postage and Delivery	866,855		866,855
Office Expense	228,683		228,683
Parking	106,243		106,243
Minor Equipment-			
Rental Equipment	36,022		36,022
Automotive Rental	38,348		38,348
Travel and Entertainment-			
Meetings	60		60
Seminars	2,687		2,687
Tuition	3,199		3,199
Other Operating-			
Insurance and Bonds	91,576		91,576
Notary Bonds	2,161		2,161
Membership Dues	1,310		1,310
Subscriptions	4,231		4,231

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

JEFFERSON COUNTY
BOBBIE HOLSCLOW, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2020
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements (Continued)</u>			
Capital Outlay-			
Office Equipment	\$ 38,442	\$	\$ 38,442
Computer Equipment	110,372		110,372
Computer Software	18,915		18,915
Furniture and Cabinets	3,210		3,210
Remodeling and Renovations	7,472		7,472
Vehicles	24,792		24,792
Total Disbursements	20,937,390	5,063,902	26,001,292
Fund Balance - December 31, 2020	\$ 4,142,874	\$ 0	\$ 4,142,874

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

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the county clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in the county clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, fee official office revenues could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The financial statements have been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2020 services
- Reimbursements for 2020 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2020

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office 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).

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

The county clerk's contribution for calendar year 2018 was \$1,827,363, calendar year 2019 was \$2,094,866, and calendar year 2020 was \$2,275,065.

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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, were 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 accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors 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 employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for nonhazardous employees was 24.06 percent for the first half of the year and 24.06 percent for the second half of the year.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS 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:

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, 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 by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

JEFFERSON COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2020
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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 proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. 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 3. Deposits

The Jefferson County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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 clerk 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 county clerk's deposits may not be returned. The Jefferson County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note 4. Libraries and Archives Grant

The Jefferson County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$22,753. The grant was fully expended for its intended purpose as of December 31, 2020.

Note 5. Lease Agreements

Commitments to the following lease agreements as of December 31, 2020, were:

Item Leased	Payment	Term Of Agreement	Ending Date	Principal Balance December 31, 2020
Postage Meter - Logistics	\$ 1,514	60 months	2/20/24	\$ 21,201
Postage Meter - Finance	473	60 months	12/31/22	3,787
Copier	<u>406</u>	60 months	12/7/20	<u> </u>
Totals	<u>\$ 2,393</u>			<u>\$ 24,988</u>

Note 6. Rental Agreements

The Jefferson County Clerk was party to several rental agreements for copiers during calendar year 2020. These agreements were on a month-to-month basis and could be terminated at any time.

Note 7. Going Out of Business Account

This account is used for deposits made by companies who must post a bond when they have a going out of business sale. After the sale, the bond may be released to the company. The account had a beginning balance of \$16,965 with \$19 receipts and \$28 disbursements. The ending balance was \$16,956 as of December 31, 2020.

Note 8. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 bankruptcy trustee. The payments from the trustee are for tangible property tax due to the state or clerk or for delinquent property tax owed. The account had a beginning balance of \$79,270 with \$106 in receipts, and \$153 in disbursements during calendar year 2020. The account balance was \$79,223 as of December 31, 2020.

Note 9. Delinquent Tax Escrow Account

This account is used to account for funds received when a third party purchases a delinquent tax bill but cannot be located by the property owner when the property owner attempts to pay the bill. The county clerk accepts payment for the bill and keeps this money in escrow for the third party purchaser. The account had a beginning balance of \$33,414 with receipts of \$2,046, leaving an account balance of \$35,460 as of December 31, 2020.

JEFFERSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020
(Continued)

Note 10. Outstanding Checks Escrow Account

This account is used to account for unclaimed checks written by the county clerk that are still outstanding after a period of time. The county clerk periodically moves the funds from the fee account to this account to facilitate balancing and to provide the necessary tracking of this unclaimed property. The county clerk will send these funds to the Kentucky State Treasury as property assumed abandoned, pursuant to KRS 393.090 and 393.110. The account had a beginning balance of \$1,929 with receipts of \$7,710 and disbursements of \$4,475 for calendar year 2020. The account balance was \$5,164 as of December 31, 2020.

Note 11. Discretionary Fund Bank Account

The county clerk has established a discretionary account as provided by KRS 64.345. This fund is used to cover additional expenses related to extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$9,862 with no receipts or disbursements for calendar year 2020. The account balance was \$9,862 as of December 31, 2020.

Note 12. Imprest Cash Account

The Finance & Administration – County Fee Systems Branch authorized the Jefferson County Clerk to administer an Imprest Cash Fund in the amount of \$65,000. This fund is to be used for expenses, such as postage and other necessary expenses \$1,000 or less that needs to be paid in less than a 10 day turn around except travel and payroll expenses.

Note 13. Federal Grant

The Jefferson County Clerk's office received a CARES federal grant through the Kentucky State Board of Elections in the amount of \$407,055. Funds totaling \$332,936 were expended during the year. The unexpended grant balance was \$74,119 as of December 31, 2020.

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government
The Honorable Bobbie Holsclaw, Jefferson County Clerk
Members of the Louisville/Jefferson County Metro Council

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements 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 and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2022. The Jefferson County Clerk's financial statements are prepared on a regulatory basis of accounting, which demonstrates 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Jefferson County Clerk's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County Clerk's internal control.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements 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 financial statement. 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*.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

May 3, 2022