

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

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE
CLARK COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Clark County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Clark County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Clark County's major federal programs: Highway Planning and Construction (CFDA #20.205), Hazard Mitigation Grant Program (CFDA #97.039) and Chemical Stockpile Emergency Preparedness Program (CFDA #97.040).

Financial Condition:

The Clark County Fiscal Court had total receipts of \$13,118,270 and disbursements of \$13,620,762 in fiscal year 2015. This resulted in a total ending fund balance of \$1,858,420, which is a decrease of \$502,492 from the prior year.

Report Comments:

- 2015-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy
- 2015-002 The Jailer Failed To Maintain Sufficient Records And Prepare An Accurate Annual Report For The Jail Commissary Fund
- 2015-003 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations
- 2015-004 The Jailer Failed To Maintain Required Accounting Records For The Inmate Account

Deposits:

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Clark County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Clark County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.



To the People of Kentucky
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Auditor's Responsibility (Continued)

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

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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Clark County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Clark County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Clark County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Clark County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditure of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Matters (Continued)

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017 on our consideration of the Clark County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clark County Fiscal Court's internal control over financial reporting and compliance.

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

- 2015-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy
- 2015-002 The Jailer Failed To Maintain Accurate Records And Prepare An Annual Report For The Jail Commissary Fund
- 2015-003 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations
- 2015-004 The Jailer Failed To Maintain Required Accounting Records For The Inmate Account

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

February 24, 2017

CLARK COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Henry Branham	County Judge/Executive
Pamela Blackburn	Magistrate
Robert Blanton	Magistrate
Matt Brinegar	Magistrate
Joe Graham Jr.	Magistrate
Daniel Konstantopoulos	Magistrate
Sheila McCord	Magistrate

Other Elected Officials:

Brian Thomas	County Attorney
Frank Doyle	Jailer
Michelle Turner	County Clerk
Paula Joslin	Circuit Court Clerk
Berl Perdue, Jr.	Sheriff
Karen Bushart	Property Valuation Administrator
Robert Gayheart	Coroner

Appointed Personnel:

Jerry Madden	County Treasurer
Frankie Faulkner	Finance Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 5,982,606	\$	\$
Excess Fees	294,294		
Licenses and Permits	49,156		
Intergovernmental	3,075,446	1,966,632	803,078
Charges for Services	284,366		121,906
Miscellaneous	190,129	18,450	13,783
Interest	7,143	4,612	
Total Receipts	<u>9,883,140</u>	<u>1,989,694</u>	<u>938,767</u>
DISBURSEMENTS			
General Government	2,046,631		
Protection to Persons and Property	5,154,662		1,545,613
General Health and Sanitation	655,008		
Social Services	106,292		
Recreation and Culture	266,003		
Roads		905,975	
Bus Services	28,500		
Debt Service	282,247	45,671	
Capital Projects	364,087	744,818	
Administration	671,473	189,439	266,120
Total Disbursements	<u>9,574,903</u>	<u>1,885,903</u>	<u>1,811,733</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>308,237</u>	<u>103,791</u>	<u>(872,966)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	600,000	600,000	926,276
Transfers To Other Funds	(1,602,538)	(600,000)	(56,138)
Total Other Adjustments to Cash (Uses)	<u>(1,002,538)</u>	<u></u>	<u>870,138</u>
Net Change in Fund Balance	(694,301)	103,791	(2,828)
Fund Balance - Beginning (Restated)	1,309,002	445,590	11,695
Fund Balance - Ending	<u>\$ 614,701</u>	<u>\$ 549,381</u>	<u>\$ 8,867</u>
Composition of Fund Balance			
Bank Balance	\$ 632,274	\$ 556,075	\$ 10,518
Plus: Deposits In Transit			
Less: Outstanding Checks	<u>(17,573)</u>	<u>(6,694)</u>	<u>(1,651)</u>
Fund Balance - Ending	<u>\$ 614,701</u>	<u>\$ 549,381</u>	<u>\$ 8,867</u>

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

CLARK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>		
<u>Local Government Economic Assistance Fund</u>	<u>Special Reserve Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$	\$	\$ 5,982,606
				294,294
				49,156
109,135				5,954,291
	93,397		100,116	406,272
1,968	2,050	3		415,875
<u>111,103</u>	<u>95,447</u>	<u>3</u>	<u>100,116</u>	<u>15,776</u>
				2,046,631
	86,501			6,786,776
				655,008
				106,292
			85,649	351,652
				905,975
				28,500
43,673		132,400		460,318
				1,152,578
<u>43,673</u>	<u>86,501</u>	<u>132,400</u>	<u>85,649</u>	<u>1,127,032</u>
				13,620,762
<u>67,430</u>	<u>8,946</u>	<u>(132,397)</u>	<u>14,467</u>	<u>(502,492)</u>
		132,400		2,258,676
				(2,258,676)
		132,400		
67,430	8,946	3	14,467	(502,492)
225,541	326,465	5	42,614	2,360,912
<u>\$ 292,971</u>	<u>\$ 335,411</u>	<u>\$ 8</u>	<u>\$ 57,081</u>	<u>\$ 1,858,420</u>
\$ 292,971	\$ 335,411	\$ 8	\$ 59,653	\$ 1,886,910
			2,597	2,597
			(5,169)	(31,087)
<u>\$ 292,971</u>	<u>\$ 335,411</u>	<u>\$ 8</u>	<u>\$ 57,081</u>	<u>\$ 1,858,420</u>

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

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CLARK COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Clark County includes all budgeted and unbudgeted funds under the control of the Clark County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale 90 days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Special Reserve Fund - The primary purpose of this fund is to account for money that is held for special purposes designated by the county.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for debt service requirements of the refunding bond issued for the Clark County Justice Center and renovation of the Clark County Detention Center. The Department for Local Government does not require the fiscal court to report or budget this fund.

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

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The county judge/executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

The State Local Finance Officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Clark County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Clark County Fiscal Court.

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

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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 66.480(1)(d) and KRS 41.240. As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Public Properties Corporation Fund	Total Transfers In
General Fund	\$	\$ 600,000	\$	\$ 600,000
Road Fund	600,000			600,000
Jail Fund	926,276			926,276
Public Properties Corporation Fund	76,262		56,138	132,400
Total Transfers Out	<u>\$ 1,602,538</u>	<u>\$ 600,000</u>	<u>\$ 56,138</u>	<u>\$ 2,258,676</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2015 was \$48,651.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt

A. General Obligation Refunding Bonds, Series 2009 (Courthouse and Detention Center Facilities Projects)

In December 2009, the Clark County Public Properties Corporation issued \$885,000 in General Obligation Refunding Bonds for the purpose of refinancing previously issued bonds (1997 Refunding Revenue Bonds) for the courthouse and detention center facilities projects. Principal payments are due each year on June 1. Interest is payable each June 1 and December 1, with final maturity in fiscal year 2016. Principal outstanding as of June 30, 2015 was \$130,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 130,000	\$ 3,900
Totals	<u>\$ 130,000</u>	<u>\$ 3,900</u>

B. Financing Obligations - Waterlines - East Clark Water District

- In June 1993, the Clark County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for expanded construction of rural waterlines. The lease amount was \$1,250,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2018. Principal outstanding as of June 30, 2015, was \$238,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 76,000	\$ 6,073
2017	79,000	4,781
2018	<u>83,000</u>	<u>2,336</u>
Totals	<u>\$ 238,000</u>	<u>\$ 13,190</u>

The Clark County Fiscal Court entered into a sublease agreement with the East Clark Water District for the use of the water lines. The sublease agreement requires the East Clark Water District to make all lease payments. The East Clark Water District is in substantial compliance with the terms of the sublease agreement.

- In October 1995, the Clark County Fiscal Court entered into a lease agreement with KACoLT for expanded construction of rural waterlines. The lease amount was \$1,400,000 to be repaid in 300 monthly payments of varying amounts terminating February 1, 2019. Principal outstanding as of June 30, 2015, was \$369,000. Future principal and interest requirements are as follows:

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

B. Financing Obligations - Waterlines - East Clark Water District (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 85,000	\$ 9,865
2017	90,000	9,306
2018	94,000	8,661
2019	100,000	5,494
Totals	<u>\$ 369,000</u>	<u>\$ 33,326</u>

3. In May 2001, the Clark County Fiscal Court entered into a lease agreement with KACoLT in order to refinance a lease agreement originally entered into in November 1990, for expanded construction of rural waterlines. The lease amount was \$382,000 to be repaid in 180 monthly payments of varying amounts terminating November 1, 2015. Principal outstanding as of June 30, 2015, was \$33,000. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 33,000	\$ 1,007
Totals	<u>\$ 33,000</u>	<u>\$ 1,007</u>

C. Financing Obligations - Fire Equipment

In January 2005, the Clark County Fiscal Court entered into a security/lease agreement with the Kentucky State Fire Commission for the purchase of fire-fighting equipment. The amount of the agreement was \$73,059 to be repaid with an initial payment of \$6,116, and 12 subsequent annual payments of \$6,919, terminating November 30, 2017. Principal outstanding as of June 30, 2015, was \$14,706. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 7,809	\$ 441
2017	6,897	207
Totals	<u>\$ 14,706</u>	<u>\$ 648</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

D. Financing Obligations - Fire Truck

In December 2006, the Clark County Fiscal Court entered into a lease agreement with KACoLT for the purchase of a fire truck. The lease amount was \$164,212, with interest due monthly in varying amounts. Principal is to be repaid in 10 annual payments of varying amounts, to be paid in full July 20, 2016. Principal outstanding as of June 30, 2015, was \$34,212. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 20,000	\$ 470
2017	14,212	39
Totals	<u>\$ 34,212</u>	<u>\$ 509</u>

E. Financing Obligations - Backhoe and Grader

In October 2007, the Clark County Fiscal Court entered into a lease agreement with KACoLT for the purchase of a backhoe and a grader for the road department. The lease amount was \$169,900, with interest due monthly in varying amounts. Principal is to be repaid in 11 annual payments of varying amounts, to be paid in full November 20, 2017. Principal outstanding as of June 30, 2015, was \$47,900. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 15,000	\$ 1,890
2017	15,000	1,262
2018	17,900	417
Totals	<u>\$ 47,900</u>	<u>\$ 3,569</u>

F. Financing Obligations - Parking Lot Paving

In April 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT in the amount of \$620,000 for the purpose of refinancing the previous lease agreement dated June 2010 in the amount of \$600,000. The amount of the lease was \$620,000, with principal and interest payments due monthly in varying amounts. Principal is scheduled to be paid in full January 2026. Principal outstanding as of June 30, 2015, was \$480,416.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

F. Financing Obligations - Parking Lot Paving (Continued)

Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 35,000	\$ 24,128
2017	37,083	22,743
2018	40,000	21,667
2019	42,083	19,425
2020	45,000	17,484
2021-2025	249,167	52,132
2026	32,083	2,027
Totals	<u>\$ 480,416</u>	<u>\$ 159,606</u>

G. Financing Obligations - Animal Shelter

In July 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT for renovation and construction projects at the animal shelter. The lease amount was \$95,000, with interest due monthly in varying amounts. Principal is to be repaid in 10 annual payments of varying amounts, to be paid in full in July 2018. Principal outstanding as of June 30, 2015, was \$44,197. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 13,996	\$ 1,726
2017	14,318	1,078
2018	14,647	420
2019	1,236	5
Totals	<u>\$ 44,197</u>	<u>\$ 3,229</u>

H. Financing Obligations - Road Department Equipment

In July 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT for the purchase of road department equipment. The lease amount was \$166,820, with interest due monthly in varying amounts. Principal is to be repaid in 10 annual payments of varying amounts, to be paid in full in July 2018. Principal outstanding as of June 30, 2015, was \$77,610.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Long-term Debt (Continued)

H. Financing Obligations - Road Department Equipment (Continued)

Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 24,578	\$ 3,031
2017	25,142	1,893
2018	25,720	737
2019	2,170	8
Totals	<u>\$ 77,610</u>	<u>\$ 5,669</u>

I. Financing Obligations - Fire Truck

In October 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT to purchase a fire truck. The amount of the lease was \$213,498, with interest due monthly in varying amounts. Principal is to be repaid in 10 annual payments of varying amounts, to be paid in full in October 2021. Principal outstanding as of June 30, 2015, was \$135,216. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 21,350	\$ 6,325
2017	21,350	5,235
2018	21,350	4,161
2019	21,350	3,088
2020	21,350	2,019
2021-2022	28,466	1,015
Totals	<u>\$ 135,216</u>	<u>\$ 21,843</u>

J. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 255,000	\$	\$ 125,000	\$ 130,000	\$ 130,000
Financing Obligations	1,796,896		322,639	1,474,257	331,733
Total Long-term Debt	<u>\$ 2,051,896</u>	<u>\$ 0</u>	<u>\$ 447,639</u>	<u>\$ 1,604,257</u>	<u>\$ 461,733</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

A. Plan Description

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

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, 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 account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$961,041, FY 2014 was \$988,330, and FY 2015 was \$942,652.

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.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

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 10 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives 10 dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.

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.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Clark County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 3,858,000	\$ 3,454,000
Non-Hazardous	<u>3,700,000</u>	<u>3,270,000</u>
Totals	<u>\$ 7,558,000</u>	<u>\$ 6,724,000</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph on the previous page.

Note 8. Deferred Compensation

On June 2001, the Clark County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Health Spending Account

The Clark County Fiscal Court established health spending accounts for employees that opted for an insurance plan below fiscal court's approved premium. When the employee's premium was less than the approved rate, the monies are deposited into an account in their name. The plan provides a debit card to each eligible employee for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction.

Note 10. Insurance

For the fiscal year ended June 30, 2015, Clark County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various agencies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Clark County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement and an aggregate total could not be determined.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 12. Prior Period Adjustments

Road Fund:

Ending Cash Balance Prior Year	\$ 445,002
To adjust for prior year outstanding checks	<u>588</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 445,590</u></u>

Jail Fund:

Ending Cash Balance Prior Year	\$ 11,420
To adjust for prior year outstanding checks	<u>275</u>
Ending Cash Balance Prior Year (adjusted)	<u><u>\$ 11,695</u></u>

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CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 5,531,689	\$ 5,686,833	\$ 5,982,606	\$ 295,773
Excess Fees	74,673	266,004	294,294	28,290
Licenses and Permits	55,470	55,470	49,156	(6,314)
Intergovernmental	3,360,521	3,787,215	3,075,446	(711,769)
Charges for Services	357,700	357,700	284,366	(73,334)
Miscellaneous	71,500	185,168	190,129	4,961
Interest	6,000	6,000	7,143	1,143
Total Receipts	<u>9,457,553</u>	<u>10,344,390</u>	<u>9,883,140</u>	<u>(461,250)</u>
DISBURSEMENTS				
General Government	1,982,450	2,178,738	2,046,631	132,107
Protection to Persons and Property	4,806,514	5,327,071	5,154,662	172,409
General Health and Sanitation	355,237	702,445	655,008	47,437
Social Services	104,300	106,772	106,292	480
Recreation and Culture	466,500	383,066	266,003	117,063
Bus Service	28,500	28,500	28,500	
Debt Service	442,326	438,418	282,247	156,171
Capital Projects	686,673	433,898	364,087	69,811
Administration	778,435	803,153	671,473	131,680
Total Disbursements	<u>9,650,935</u>	<u>10,402,061</u>	<u>9,574,903</u>	<u>827,158</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(193,382)</u>	<u>(57,671)</u>	<u>308,237</u>	<u>365,908</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	28,500	28,500	600,000	571,500
Transfers To Other Funds	(1,093,701)	(1,093,701)	(1,602,538)	(508,837)
Total Other Adjustments to Cash (Uses)	<u>(1,065,201)</u>	<u>(1,065,201)</u>	<u>(1,002,538)</u>	<u>62,663</u>
Net Change in Fund Balance	(1,258,583)	(1,122,872)	(694,301)	428,571
Fund Balance Beginning	<u>1,258,583</u>	<u>1,258,583</u>	<u>1,309,002</u>	<u>50,419</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 135,711</u>	<u>\$ 614,701</u>	<u>\$ 478,990</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,894,490	\$ 2,024,490	\$ 1,966,632	\$ (57,858)
Miscellaneous	10,000	23,450	18,450	(5,000)
Interest	5,000	5,000	4,612	(388)
Total Receipts	<u>1,909,490</u>	<u>2,052,940</u>	<u>1,989,694</u>	<u>(63,246)</u>
DISBURSEMENTS				
Roads	1,016,738	1,043,015	905,975	137,040
Debt Service	50,000	50,000	45,671	4,329
Capital Projects	810,000	956,500	744,818	211,682
Administration	283,162	278,835	189,439	89,396
Total Disbursements	<u>2,159,900</u>	<u>2,328,350</u>	<u>1,885,903</u>	<u>442,447</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(250,410)</u>	<u>(275,410)</u>	<u>103,791</u>	<u>379,201</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			600,000	600,000
Transfers To Other Funds	<u>(28,500)</u>	<u>(28,500)</u>	<u>(600,000)</u>	<u>(571,500)</u>
Total Other Adjustments to Cash (Uses)	<u>(28,500)</u>	<u>(28,500)</u>	<u> </u>	<u>28,500</u>
Net Change in Fund Balance	(278,910)	(303,910)	103,791	407,701
Fund Balance Beginning (Restated)	<u>278,910</u>	<u>303,910</u>	<u>445,590</u>	<u>141,680</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 549,381</u>	<u>\$ 549,381</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 585,200	\$ 600,985	\$ 803,078	\$ 202,093
Charges for Services	84,800	119,669	121,906	2,237
Miscellaneous	20,000	22,430	13,783	(8,647)
Total Receipts	<u>690,000</u>	<u>743,084</u>	<u>938,767</u>	<u>195,683</u>
DISBURSEMENTS				
Protection to Persons and Property	1,386,559	1,632,614	1,545,613	87,001
Debt Service	53,117	57,357		57,357
Administration	344,025	293,944	266,120	27,824
Total Disbursements	<u>1,783,701</u>	<u>1,983,915</u>	<u>1,811,733</u>	<u>172,182</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,093,701)</u>	<u>(1,240,831)</u>	<u>(872,966)</u>	<u>367,865</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			926,276	926,276
Transfers To Other Funds	1,093,701	1,093,701	(56,138)	(1,149,839)
Total Other Adjustments to Cash (Uses)	<u>1,093,701</u>	<u>1,093,701</u>	<u>870,138</u>	<u>(223,563)</u>
Net Change in Fund Balance		(147,130)	(2,828)	144,302
Fund Balance Beginning (Restated)		<u>11,419</u>	<u>11,695</u>	<u>276</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (135,711)</u>	<u>\$ 8,867</u>	<u>\$ 144,578</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 109,135	\$ 9,135
Interest	1,000	1,000	1,968	968
Total Receipts	<u>101,000</u>	<u>101,000</u>	<u>111,103</u>	<u>10,103</u>
DISBURSEMENTS				
Administration	265,000	265,000	43,673	221,327
Total Disbursements	<u>265,000</u>	<u>265,000</u>	<u>43,673</u>	<u>221,327</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(164,000)</u>	<u>(164,000)</u>	<u>67,430</u>	<u>231,430</u>
Net Change in Fund Balance	(164,000)	(164,000)	67,430	231,430
Fund Balance Beginning	<u>164,000</u>	<u>164,000</u>	<u>225,541</u>	<u>61,541</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 292,971</u>	<u>\$ 292,971</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	SPECIAL RESERVE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 89,000	\$ 89,000	\$ 93,397	\$ 4,397
Interest	2,000	2,000	2,050	50
Total Receipts	<u>91,000</u>	<u>91,000</u>	<u>95,447</u>	<u>4,447</u>
DISBURSEMENTS				
Recreation and Culture	253,400	253,400	86,501	166,899
Capital Projects	152,600	152,600		152,600
Total Disbursements	<u>406,000</u>	<u>406,000</u>	<u>86,501</u>	<u>319,499</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(315,000)</u>	<u>(315,000)</u>	<u>8,946</u>	<u>323,946</u>
Net Change in Fund Balance	(315,000)	(315,000)	8,946	323,946
Fund Balance Beginning	<u>315,000</u>	<u>315,000</u>	<u>326,465</u>	<u>11,465</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 335,411</u>	<u>\$ 335,411</u>

CLARK COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The Clark County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

CLARK COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

CLARK COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following Schedule of Capital Assets:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 1,781,645	\$ 623,685	\$	\$ 2,405,330
Construction In Progress	1,312,041	2,013,156		3,325,197
Buildings and Improvements	8,855,196			8,855,196
Other Equipment	1,790,328	137,030		1,927,358
Vehicles and Equipment	3,465,103	142,116	80,943	3,526,276
Infrastructure	8,410,973	645,073		9,056,046
	<u>\$ 25,615,286</u>	<u>\$ 3,561,060</u>	<u>\$ 80,943</u>	<u>\$ 29,095,403</u>

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

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

Note 2. Prior Period Adjustments

Capital Assets:

Ending Capital Asset Balance - Prior Year	\$ 25,423,215
Less: Correction to Construction In Progress	(56,518)
Add: Correction to Building and Building Improvements	22,565
Add: Correction to Construction In Progress	137,125
Add: Correction to Land and Land Improvements	52,399
Add: Vehicle and Heavy Equipment - Omitted from prior year audit	36,500
Ending Capital Asset Balance - Prior Year (adjusted)	\$ 25,615,286

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>U. S. Department of Transportation</u>			
<i>Passed-Through State Transportation Cabinet:</i>			
20.205	Highway Planning and Construction	P02 - 628- 1200006550	** \$ <u>354,086</u>
Total U.S. Department of Transportation			<u>354,086</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs:</i>			
97.039	Hazard Mitigation Grant Program	PON209513000000093	** 305,400
97.040	Chemical Stockpile Emergency Preparedness Program	PO20951000023591	** 2,344,457
97.042	Emergency Management Performance Grants	Not Available	<u>26,902</u>
Total U.S. Department of Homeland Security			<u>2,676,759</u>
Total Expenditures of Federal Awards			<u>\$ 3,030,845</u>

**Tested as Major Program or Cluster

CLARK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clark County, Kentucky and is presented on a regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2. Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. There was three Type A programs. The major programs tested were:

- CFDA 20.205 Highway Planning and Construction
- CFDA 97.039 Hazardous Mitigation Grant Program
- CFDA 97.040 Chemical Stockpile Emergency Preparedness Program

Note 3. Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Henry Branham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Clark County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Clark County Fiscal Court's financial statement and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clark County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clark County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clark County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a material weakness.



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

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001, 2015-003, and 2015-004 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clark County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-004.

County Judge/Executive's and Jailer's Responses to Findings

The Clark County Judge/Executive's and Jailer's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Clark County Judge/Executive's and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 24, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Henry Branham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Clark County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Clark County Fiscal Court's major federal programs for the year ended June 30, 2015. The Clark County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Clark County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Clark County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Clark County Fiscal Court's compliance with those requirements.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Clark County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Clark County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Clark County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clark County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

February 24, 2017

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2015

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

CFDA 20.205 Highway Planning and Construction CFDA 97.039 Hazardous Mitigation Grant Program CFDA 97.040 Chemical Stockpile Emergency Preparedness Program
--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

2015-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy

The master capital asset listing provided to the auditors contained material inaccuracies. The county maintains fixed asset listings for all departments within the county; however, these lists are not utilized in the preparation of the capital asset schedule to ensure that all assets meeting the capitalization threshold are listed. The county failed to include capital assets totaling \$249,061 on the schedule.

The fiscal court lacks adequate controls over reporting and valuation of capital assets. The fiscal court has not adequately monitored and tracked capital assets as required by the Department for Local Government (DLG). Without adequate controls, the risk of asset misappropriation increases.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation. KRS 68.210 give the State Local Finance officer the authority to prescribe a system of uniform accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "For purposes of internal control, an asset inventory listing must be maintained for all asset purchases/donations above a reasonable dollar amount, and have a useful life of greater than one year. The asset inventory listing should provide the following detail:

- Property Tag number
- Asset description
- Serial number - if applicable
- Quantity - if applicable
- Cost (or Fair Market Value of donated asset at date of donation)
- Date of acquisition
- Date of disposal (track all disposals for entire fiscal year)
- Property location (by department, building & room number)
- Manager/individual responsible

The Asset Inventory Listing will include assets reported on the Capital Asset Listing, with the exception of infrastructure assets." The manual further explains that an annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented. The asset inventory listing should be updated for all additions, disposals, and property location changes, etc. Authorization must be given to appropriate accounting personnel for asset record and asset inventory listing modifications.

DLG further requires that adequate fixed asset records provide the information necessary to report the cost or other basis of valuation, determine the accuracy of insurance coverage, maintain control of county property, and for long range planning for property replacement. Maintenance of records for general fixed assets which fall into any of the following three categories is a requirement of the Uniform System of Accounts for Kentucky counties:

1. Real Estate
2. Motor vehicles (including road equipment)
3. Valuation in excess of \$100

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy (Continued)

In order to strengthen the county's internal controls over capital assets, we recommend the county reconcile asset purchases and disposals with the general ledger. The county should also reconcile the schedule to the physical inspection of county assets at the end of each year and make comparisons to the county's list of inventoried assets and insurance policy.

Judge/Executive Henry Branham's Response: We will implement another level of monitoring capital purchases over \$5,000. Time to be completed – June 30, 2017.

2015-002 The Jailer Failed To Maintain Sufficient Records And Prepare An Accurate Annual Report For The Jail Commissary Fund

During our review and testing of the jail commissary fund, we noted the following deficiencies:

- Receipts and disbursements ledgers were not properly maintained.
- Accurate bank reconciliations were not prepared and agreed to book balances.
- The year-end financial report presented to the county treasurer lacked adequate detail and contained inaccuracies.
- Items were purchased from commissary account that were not allowable.
- Daily checkout sheets were not utilized for receipts.
- The jailer utilized a debit card for purchases instead of by check.

There was an administration change during fiscal year 2015 and changes recommended by former auditors were not implemented to correct these issues.

The failure to maintain accurate, detail reports does not provide a true picture of the activities within the jailer's accounts. This can also leave an opening for the increased risk of misstatements or omissions.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines the following minimum accounting and reporting requirements pursuant to the authority to prescribe a system of uniform accounts for all counties and county officials given to the State Local Finance Officer by KRS 68.210:

- Daily Checkout Sheets and Daily Deposits
- Receipts Journal
- Disbursements Journal
- Jail Canteen Fund Summary and Reconciliation

As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual - Jail Commissary Fund Instructions for Disbursements Journal*, "Each check written must be posted to the proper category listed on the form. Checks should be issued for all expenditures made."

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-002 The Jailer Failed To Maintain Sufficient Records And Prepare An Accurate Annual Report For The Jail Commissary Fund (Continued)

According to KRS 441.135(2), “[a]ll profits from the canteen shall be used for the benefit and to enhance the well-being of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.” Examples of allowable expenditures from a canteen account given in KRS 441.135(3) include those for “recreational, vocational, and medical purposes.”

The jailer should review the jail operations and ensure compliance with DLG’s manual and applicable statutes. Furthermore, we recommend the fiscal court reimburse the jail commissary account for the purchase of two dryers totaling \$9,862 from the jail fund.

Judge/Executive Henry Branham’s Response: We, at the central office of Clark County government, will assist the Jailer in any way we can to correct this.

Jailer Frank Doyle’s Response: I, Jailer Frank Doyle, have implemented a report on excel documents to input monthly to aid in the annual report. Reports previously completed were done so by what the previous auditor instructed the Detention Center to do. Reports will be completed per KRS 68.210. Purchase of two dryers in the amount of \$9,862 were purchased under the previous jailer and to ensure that this does not happen again we are now getting the opinions of the Clark County Attorney and the Attorney General before purchases such as these are made.

2015-003 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations

The jailer did not maintain adequate segregation of duties over receipts, disbursements, and reconciliations. The bookkeeper prepares deposits, takes the deposit to the bank, prepares and signs checks, posts these disbursements to the disbursements spreadsheet that is utilized in preparation of the annual financial statement submitted to the fiscal court, and performs the monthly bank reconciliation.

Due to the limited number of employees, the jailer was unable to maintain adequate segregation of duties over receipts, disbursements, and reconciliations. Failure to maintain adequate segregation of duties or implement compensating controls, such as strong oversight, increases the risk for fraud or theft.

Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of business. Without proper segregation of duties, inaccurate financial reporting and misappropriation of assets can occur.

To adequately protect employees in the normal course of business, and to prevent inaccurate financial reporting and misappropriation of assets, we recommend the jailer implement strong oversight in these areas, either by an employee independent of those functions or by the jailer, such as:

- The jailer should periodically compare bank deposits to the daily checkout sheet and receipts ledger. Any differences should be reconciled. The jailer should document this by initialing the bank deposit, the daily checkout sheet, and the receipts ledger.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-003 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations (Continued)

- The jailer should review supporting documentation for all disbursements made. The jailer should also compare disbursements posted to the disbursements ledger. The jailer should document this by initialing the supporting documentation and the disbursements ledger.
- The jailer should compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The jailer should document this by initialing the bank reconciliation and the balance in the checkbook.

County Judge/Executive Henry Branham's Response: We, at the central office of Clark County government, will assist the Jailer in any way we can to correct this.

County Jailer Frank Doyle's Response: I, Jailer Frank Doyle, will be seeking more employees to aid in the segregation of duties. We have implemented new policy at this time to have Jailer Frank Doyle to initial all receipts, date stamp invoices as received and paid.

I, Jailer Frank Doyle, will also review the bank reconciliations each month and initial them as being reviewed.

2015-004 The Jailer Failed To Maintain Required Accounting Records For The Inmate Account

The jailer failed to maintain required accounting records for the inmate account during the fiscal year ending June 30, 2015. Inmate account financial information was maintained in the accounting software of the commissary service provider through February 2015. In March 2015, the jailer changed commissary service providers, and the financial information maintained by the previous commissary service provider was not obtained. The jailer has made several unsuccessful attempts to retrieve the information from the previous service provider.

The lack of financial information for the inmate account prevents the performance of audit procedures necessary to ensure the accuracy of amounts presented for the inmate account, and auditors could not determine if the inmate account balance was sufficient to cover the jail's fiduciary responsibility to the inmates. Additionally, the lack of accounting records could prevent the jailer from detecting fraudulent activity within the account.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts for all counties and county officials. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum requirements for the handling of public funds, including

- books of original entry for receipts and disbursements,
- monthly bank reconciliations, and
- daily deposits to a federally insured banking institution.

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)**

Section II: Findings - Financial Statement Audit (Continued)

2015-004 The Jailer Failed To Maintain Required Accounting Records For The Inmate Account (Continued)

We recommend the jailer ensure monthly reports are maintained for the inmate account to prevent this issue from occurring in the future. The jailer should obtain financial information for the inmate account from the commissary service provider including receipts and disbursements, inmate account balances, outstanding accounts receivable balances, and any other necessary financial information as of the last date. The jailer should obtain inmate balances as of the last day they used the former commissary service provider to compare to the first day of the current commissary service provider in order to verify that they began with the correct inmate balances. Further, the jailer should ensure that the total inmate balances held on the day of transfer to the new commissary vendor was transferred to the new bank account. If funds remain in the former commissary inmate bank account, the jailer should try to identify the owners of those funds. If the ownership of the funds cannot be determined, the balance should be held in escrow for three years, then turned over to the state treasury as unclaimed funds. Jail personnel charged with accounting for commissary and inmate funds should receive further training on proper bookkeeping for each of the accounts.

Judge/Executive Henry Branham's Response: We, at the central office of Clark County government, will assist the Jailer in any way we can to correct this.

Jailer Frank Doyle's Response: The Detention Center changed Commissary providers and in doing so the prior provider, (vendor name redacted), completely locked the Detention Center out of their programs and though several attempts were made for the information the company failed to comply and sent the information to the Detention Center. I, Jailer Frank Doyle, have no intentions of changing providers at this time with that being said the records are readily available to the Detention Center. Monthly bank reconciliations are completed and checked for and discrepancies.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

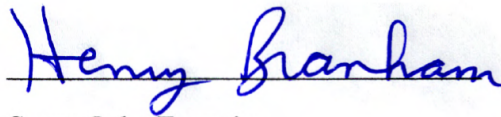
CLARK COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CLARK COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

