

**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2018**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ray S. Jones II, Pike County Judge/Executive  
The Honorable Rhonda Taylor, Pike County Clerk  
Members of the Pike County Fiscal Court

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 Pike 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, 2018, 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.



The Honorable Ray S. Jones II, Pike County Judge/Executive  
The Honorable Rhonda Taylor, Pike County Clerk  
Members of the Pike County Fiscal Court

### **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 Pike 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 Pike County Clerk, as of December 31, 2018, 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 Pike County Clerk and the receipts, disbursements, and fund balances of the Pike County Clerk's operating fund and county fund with the state treasurer for the year ended December 31, 2018, 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 20, 2019, on our consideration of the Pike 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.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report comment:

2018-001 The Clerk's 75% Fund Had A \$24,722 Deficit Balance At Term End

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 20, 2019

PIKE COUNTY  
RHONDA TAYLOR, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2018

Receipts

State Grant	\$	4,094	
State Fees For Services			27,816
Fiscal Court			7,889
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,616,137	
Usage Tax		4,924,406	
Tangible Personal Property Tax		5,354,592	
Notary Fees		5,358	
Other-			
Fish and Game Licenses		8,669	
Marriage Licenses		14,383	
Occupational Licenses		2,627	
Deed Transfer Tax		82,125	
Delinquent Tax		<u>2,043,746</u>	14,052,043
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		24,429	
Real Estate Mortgages		45,929	
Chattel Mortgages and Financing Statements		134,902	
Powers of Attorney		3,579	
Articles of Incorporation		186	
Affordable Housing Trust		40,098	
All Other Recordings		30,780	
Charges for Other Services-			
Candidate Filing Fees		3,950	
Copywork		25,142	
Postage		<u>19,544</u>	328,539

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

PIKE COUNTY  
 RHONDA TAYLOR, COUNTY CLERK  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2018  
 (Continued)

Receipts (Continued)

Other:

Refunds	\$	58,874	
Lein Fees		37,222	
Libraries and Archives		10,143	
Special Deposits		7,336	
Miscellaneous		19,039	\$ 132,614

Interest Earned			<u>3,136</u>
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Total Receipts			14,556,131
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Disbursements

Payments to State:

Motor Vehicle-			
Licenses and Transfers	\$	1,158,463	
Usage Tax		4,774,370	
Tangible Personal Property Tax		1,900,126	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		8,403	
Delinquent Tax		173,715	
Legal Process Tax		39,736	
Affordable Housing Trust		40,782	
Miscellaneous		4,846	8,100,441

Payments to Fiscal Court:

Tangible Personal Property Tax		549,528	
Delinquent Tax		220,671	
Deed Transfer Tax		78,226	
Occupational Licenses		2,181	850,606

Payments to Other Districts:

Tangible Personal Property Tax		2,688,944	
Delinquent Tax		1,072,052	3,760,996

Payments to Sheriff			50,162
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Payments to Solid Waste			64,325
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The accompanying notes are an integral part of the financial statements.



PIKE COUNTY  
 RHONDA TAYLOR, COUNTY CLERK  
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
 For The Year Ended December 31, 2018  
 (Continued)

Disbursements (Continued)

Payments to County Attorney		\$ 281,734	
Other Disbursements:			
Overpayments/Refunds	\$ 54,867		
Refunds - Delinquent Tax Refunds	4,252		
Refunds - Advalorem Refunds	1,885		
Refunds - Usage Tax Refund	2,304		
Grant Expenditures	4,094	<u>67,402</u>	
Total Disbursements			\$ 13,175,666
Net Receipts			1,380,465
Payments to State Treasurer:			
75% Operating Fund *	1,049,679		
25% County Fund	<u>330,784</u>	<u>1,380,463</u>	
Balance Due at Completion of Audit			<u>\$ 2</u>

\* Includes reimbursed expenses in the amount of \$60,915 for the audit period.  
 See Note 1 of Notes to Financial Statements.

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

PIKE COUNTY  
 RHONDA TAYLOR, 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, 2018

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2018	\$ 142,832	\$	\$ 142,832
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,049,679		1,049,679
Fees Paid to State - County Funds (25%)		330,784	330,784
Total Funds Available	<u>1,192,511</u>	<u>330,784</u>	<u>1,523,295</u>
<u>Disbursements</u>			
Pike County Fiscal Court		330,784	330,784
Personnel Services-			
Official's Statutory Maximum	111,702		111,702
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	4,137		4,137
Deputies' Salaries	551,975		551,975
Employee Benefits-			
Employer's Share Social Security	51,414		51,414
Employer's Share Retirement	122,195		122,195
Employer's Share Health Insurance	193,214		193,214
Employer's Share Life Insurance	1,519		1,519
Employer's Share Dental Insurance	7,307		7,307
Workers' Compensation	2,335		2,335
Unemployment Insurance	5,189		5,189
Contracted Services-			
Advertising	992		992
Tax Bill Preparation	10,377		10,377

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

PIKE COUNTY  
 RHONDA TAYLOR, 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, 2018  
 (Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<u>Disbursements (Continued)</u>			
Supplies and Materials-			
Office Supplies	\$ 2,388	\$	\$ 2,388
Office Expenses	312		312
Other Charges-			
Conventions and Travel	1,920		1,920
Equipment Maintenance	35,903		35,903
Gasoline	1,369		1,369
Miscellaneous	10,592		10,592
Postage	408		408
Supplies	80,796		80,796
Utilities	13,927		13,927
Insurance - Property	1,850		1,850
Debt Service-			
Lease Purchases	1,812		1,812
Total Disbursements	<u>1,217,233</u>	<u>330,784</u>	<u>1,548,017</u>
Fund Balance - December 31, 2018	<u>\$ (24,722)</u>	<u>\$ 0</u>	<u>\$ (24,722)</u>

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

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018

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 2018 services
- Reimbursements for 2018 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 2018

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).

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2018  
 (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 FY 2016 was \$101,660, FY 2017 was \$96,595, and FY 2018 was \$122,195.

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 19.18 percent for the first half of the year and 21.48 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:

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2018  
 (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.

PIKE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018  
(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 Pike County Clerk 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 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.

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 county clerk 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 December 31, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

PIKE COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2018  
 (Continued)

Note 4. Grant

The Pike County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$23,935 in 2018. As of January 1, 2018, the grant balance was \$4,094. Funds totaling \$4,094 were expended during the year. All funds have been expended as of December 31, 2018.

Note 5. Lease Agreement

The Pike County Clerk's office committed to a lease agreement for a postage meter. The agreement requires a monthly payment of \$453 for 60 months to be completed June 2020. The total remaining balance of the agreement was \$2,718 as of December 31, 2018.

Note 6. Outstanding Checks Held In Escrow

The Pike County Clerk deposited outstanding checks into an escrow account. When statutorily required, the clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The clerk's escrowed amounts were as follows:

2016	\$1,477
2017	\$1,406
2018	\$71

Note 7. 75% Operating Fund - Deficit Balance

The Pike County Clerk's 75% operating fund had a deficit balance of \$24,722 as of December 31, 2018. KRS 64.345(4) states, in part, "[i]f seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term."

Note 8. Pending Litigation

The Pike County Clerk is involved in a lawsuit that arose from the normal course of doing business. While individually it may not be significant, it 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 9. Beginning Balance Restatement

The current year beginning balance is \$3,600 less than the prior year ending balance due to some payroll expenses that were not reported on the prior year financial statement.



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*

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Ray S. Jones II, Pike County Judge/Executive  
The Honorable Rhonda Taylor, Pike County Clerk  
Members of the Pike County Fiscal Court

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 Pike 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2019. The Pike 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 Pike County Clerk'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Pike County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pike 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as item 2018-001 that we consider to be a significant deficiency.

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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 Pike 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Views of Responsible Official and Planned Corrective Action**

The Pike County Clerk's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The Pike County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

**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

May 20, 2019

## SCHEDULE OF FINDINGS AND RESPONSES

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PIKE COUNTY  
RHONDA TAYLOR, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2018

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2018-001    The Clerk's 75% Fund Had A \$24,722 Deficit Balance At Term End

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The Pike County Clerk's 75% operating fund had a deficit balance of \$24,722 at the end of her January 1, 2015 to December 31, 2018 term. The county clerk monitored her operating fund, however the last quarter of the year did not bring in as much revenue as expected. The county clerk spent in excess of her revenues in her 75% operating fund account, resulting in a \$24,722 deficit.

KRS 64.345(4) states, "If seventy-five percent (75%) of the amount paid into the State Treasury in any month by any of such officers is not sufficient to pay the salaries and expenses of his office for that month, the deficit may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries and expenses exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his term."

We recommend the county clerk work with the fiscal court to resolve the deficit. We further recommend the county clerk monitor and limit expenses to ensure that future deficits do not occur.

*County Clerk's Response: This letter is in reference to our 2018 audit. The Pike County Clerk's Office prides itself with abiding by Kentucky Audit practices. No money has been lost or mismanaged as audit reports have confirmed. We have received an excellent audit despite a \$24,722.00 deficit.*

*This unfortunate decline in revenue is based on several factors that were beyond the control of the Pike County Clerk's Office as follows:*

- 1. Terminated supplemental funding from the previous Pike County Fiscal Court.*
- 2. A decrease in the county's population.*
- 3. An apparent economic downturn for our region of the state.*

*It appears that the previous Fiscal Court evidently did not realize the detrimental impact that eliminating supplemental funding would cause. For almost three decades supplemental funding has been critical for the operations of an office this size.*

*I continue to look for ways to reduce expenses even though we are gravely understaffed. I realize the current Pike County Fiscal Court has only been in office for six months and they continue to review the budget issues they have inherited. However, reinstatement for supplemental funding is necessary for the Pike County Clerk's Office to fulfill its duties to the citizens of this county and to continue to advance with the rest of the state.*