REPORT OF THE AUDIT OF THE HENDERSON COUNTY CLERK

For The Year Ended
December 31, 2003

CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HENDERSON COUNTY CLERK

For The Year Ended
December 31, 2003

The Auditor of Public Accounts has completed the Henderson County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

Financial Condition:

Excess fees increased by $31,035 from the prior year, resulting in excess fees of $1,025,449 as of December 31, 2003. Revenues increased by $380,231 from the prior year and expenditures increased by $349,196.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Sandy L. Watkins, Henderson County Judge/Executive
The Honorable Renny T. Matthews, Henderson County Clerk
Members of the Henderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Henderson County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Clerk. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting, as described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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The Honorable Sandy L. Watkins, Henderson County Judge/Executive
The Honorable Renny T. Matthews, Henderson County Clerk
Members of the Henderson County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Henderson County, Kentucky and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 27, 2004

HENDERSON COUNTY
RENNY T. MATTHEWS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues		
State Grants		$ 17,495
State Fees For Services		17,199
Fiscal Court		13,225
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 1,123,882	
Usage Tax	5,777,470	
Tangible Personal Property Tax	3,197,002	
Motor Vehicle Lien Fees and Penalties	8,550	
Licenses-		
Fish and Game		
Marriage	39,779	
Beer and Liquor	4,390	
Deed Transfer Tax	108,792	
Delinquent Tax	353,752	10,613,617
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	27,209	
Real Estate Mortgages	194,019	
Chattel Mortgages and Financing Statements	138,742	
Powers of Attorney	1,981	
All Other Recordings	27,669	
Charges for Other Services-		
Candidate Filing Fees	140	
Postage	2,711	
Copywork	13,724	406,195
Interest Earned		2,708
Total Revenues		11,070,439

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

HENDERSON COUNTY
RENNY T. MATTHEWS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2003
(Continued)

Expenditures

Payments to State:			
Motor Vehicle-			
Licenses and Transfers	$ 860,836		
Usage Tax	5,603,796		
Tangible Personal Property Tax	1,064,789		
Licenses, Taxes, and Fees-			
Delinquent Tax	54,882		
Legal Process Tax	55,420	7,639,723	
Payments to Fiscal Court:			
Tangible Personal Property Tax	187,991		
Delinquent Tax	39,385		
Deed Transfer Tax	103,352		
Beer and Liquor Licenses	4,300	335,028	
Payments to Other Districts:			
Tangible Personal Property Tax	1,816,343		
Delinquent Tax	177,274	1,993,617	
Payments to Sheriff		3,653	
Payments to County Attorney		51,906	
Other Charges-			
Bad Debts	2,497		
Postage	329		
Miscellaneous	742		
Library and Archives Grant	17,495	21,063	
Total Expenditures			10,044,990
Excess Fees Due County for 2003			1,025,449
Payments to Fiscal Court - Monthly Payments			1,025,449
Balance Due Fiscal Court at Completion of Audit			$ 0

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

HENDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2003

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

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

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.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grant

During calendar year 2002 the former County Clerk received $17,495 for a local records microfilming grant awarded from the Kentucky Department for Libraries and Archives. Interest of $13 was earned on the grant funds and funds totaling $17,508 were turned over to the new County Clerk during January 2003. During calendar year 2003, interest of $85 was earned on the unexpended grant funds and funds of $17,495 were expended during the year. The unexpended grant balance is $98 as of December 31, 2003.

Note 5. County Clerk's Compensation

The fiscal court paid the County Clerk's salary, expense allowance and training incentive totaling $72,748 for calendar year 2003.

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

CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Sandy L. Watkins, Henderson County Judge/Executive
The Honorable Renny T. Matthews, Henderson County Clerk
Members of the Henderson County Fiscal Court

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

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Henderson County Clerk for the year ended December 31, 2003, and have issued our report thereon dated April 27, 2004. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Henderson County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Henderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 27, 2004