REPORT OF THE AUDIT OF THE GREENUP COUNTY CLERK

For The Year Ended
December 31, 2004

CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY CLERK

For The Year Ended
December 31, 2004

The Auditor of Public Accounts has completed the Greenup County Clerk's audit for the year ended December 31, 2004. 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.

Financial Condition:

Excess fees decreased by $38,806 from the prior year, resulting in excess fees of $40,920 as of December 31, 2004. Revenues decreased by $13,606 from the prior year and expenditures increased by $25,200.

Deposits:

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

CONTENTS PAGE

INDEPENDENT AUDITOR'S REPORT 1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS 3
NOTES TO FINANCIAL STATEMENT 6
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 11

CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Donald L. Davidson, Greenup County Clerk
Members of the Greenup 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 Greenup County, Kentucky, for the year ended December 31, 2004. 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Honorable Donald L. Davidson, Greenup County Clerk
Members of the Greenup County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Greenup County, Kentucky, and the Kentucky Governor's Office for Local Development 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 -
July 19, 2005

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues		
State Grants		$ 8,890
State Fees For Services		17,417
Fiscal Court		79,270
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 793,382	
Usage Tax	3,496,105	
Tangible Personal Property Tax	2,473,163	
Other-		
Marriage	22,088	
Deed Transfer Tax	80,604	
Delinquent Tax	799,976	7,665,318
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	$ 22,665	
Real Estate Mortgages	64,383	
Chattel Mortgages and Financing Statements	96,023	
Powers of Attorney	2,874	
All Other Recordings	50,651	
Charges for Other Services-		
Copywork	6,337	
Postage	570	243,503
Other:		
Overpayments and Refunds	$ 7,898	
Miscellaneous	2,753	10,651
Interest Earned		2,926
Total Revenues		$ 8,027,975

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

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures

Payments to State:		
Motor Vehicle-		
Licenses and Transfers	$ 602,785	
Usage Tax	3,387,518	
Tangible Personal Property Tax	862,095	
Licenses, Taxes, and Fees-		
Mariage Licenses	7,965	
Delinquent Tax	88,852	
Legal Process Tax	24,626	$ 4,973,841
Payments to Fiscal Court:		
Tangible Personal Property Tax	$ 153,779	
Delinquent Tax	59,599	
Deed Transfer Tax	76,597	289,975
Payments to Other Districts:		
Tangible Personal Property Tax	$ 1,347,833	
Delinquent Tax	462,504	1,810,337
Payments to Sheriff		6,270
Payments to County Attorney		115,911
Operating Expenditures and Capital Outlay:		
Personnel Services-		
Deputies' Salaries	$ 417,622	
Employee Benefits-		
Employer's Share Social Security	36,232	
Employer's Paid Health Insurance	24,000	
Contracted Services-		
Advertising	151	
Cleaning	5,180	
Professional Services	24,305	
Materials and Supplies-		
Office Supplies	24,527	

GREENUP COUNTY
DONALD L. DAVIDSON, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2004
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)			
Other Charges-			
Conventions and Travel	$ 12,467		
Election Expenses	79,088		
Library and Archive Grant Expenditures	8,890		
Maintenance and Repairs	6,741		
Postage	6,015		
Refunds and Overpayments	12,697		
Rent	10,104		
Utilities	8,938		
Miscellaneous	2,466		
Capital Outlay-			
Office Equipment	5,023	$ 684,446	
Debt Service:			
Leases		25,350	
Total Expenditures			$ 7,906,130
Net Revenues			$ 121,845
Less: Statutory Maximum			74,232
Excess Fees			$ 47,613
Less: Expense Allowance		$ 3,600	
Training Incentive Benefit		3,093	6,693
Excess Fees Due County for 2004			$ 40,920
Payments to Fiscal Court - March 15, 2005		$ 35,831	
July 19, 2005		5,089	40,920
Balance Due Fiscal Court at Completion of Audit			$ 0

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

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2004

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 revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

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 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

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 cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 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. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

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, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral pledged securities held by the County Clerk's agent in the County Clerk's name.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end.

	Bank Balance
FDIC insured	$ 100,000
Collateralized with securities held by the county official's agent in the county official's name	336,481
Total	$ 436,481

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of $8,890. Funds totaling $8,890 were expended during the year. As of December 31, 2004, the balance of this grant account is $239 due to $32 of interest earned for calendar year 2004 and interest earned of $207 for previous years.

Note 5. Operating Leases

A. The office of the County Clerk was committed to a lease agreement with Software Management for computer equipment and software. The agreement is renewable on an annual basis and requires monthly payments of $1,896.

B. The office of the County Clerk is committed to a lease agreement with Chito Ymalay, M.D., Greenup County, Kentucky, for office space at the Flatwoods branch of the County Clerk's office. The agreement requires annual payments of $9,000 and expires on December 31, 2006.

C. The office of the County Clerk is committed to a lease agreement with Pitney Bowes Credit Corporation for a mailing machine. The agreement commenced on April 30, 2001, and requires quarterly payments of $666 for 5 years. The total balance of the agreement was $2,664 as of December 31, 2004.

Note 6. Escrow Account

The County Clerk has a certificate of deposit and a checking account, totaling $56,328 as of December 31, 2004, which consists of an ongoing account originating from unclaimed funds from the purchase of land for public use. The owners and heirs could not be located. The last transaction in the accounts occurred in November 1979. KRS 393.202 states, "If any property having a situs in this state has been devised or bequeathed to any person and is not claimed by that person or his heirs…within seven years after the death…it shall vest with the state." Since the unclaimed funds have been in possession of the County Clerk for more than seven years, and the owners cannot be located, they should surrender the funds to the Department of the Treasury.

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

CRIT LUALLEN
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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

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Greenup County Clerk for the year ended December 31, 2004, and have issued our report thereon dated July 19, 2005. The County Clerk's financial statement is 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup 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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Greenup County Clerk's financial statement for the year ended December 31, 2004, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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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)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development 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 -
July 19, 2005