

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

**For The Fiscal Year Ended  
June 30, 2016**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**CLARK COUNTY FISCAL COURT**

**June 30, 2016**

The Auditor of Public Accounts has completed the audit of the Clark County Fiscal Court for the fiscal year ended June 30, 2016.

We have issued an unmodified opinion, based on our audit of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Clark County Fiscal Court. In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, we have issued an unmodified opinion on the compliance requirements that are applicable to Clark County Fiscal Court's major federal program: Chemical Stockpile Emergency Preparedness Program (CFDA #97.040).

**Financial Condition:**

The Clark County Fiscal Court had total receipts of \$12,617,669 and disbursements of \$12,506,209 in fiscal year 2016. This resulted in a total ending fund balance of \$2,457,392, which is an increase of \$598,972 from the prior year.

**Findings:**

- 2016-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy
- 2016-002 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations
- 2016-003 The Jailer Failed To Maintain Sufficient Records And Prepare An Accurate Annual Report For The Jail Commissary Fund
- 2016-004 The Jailer Did Not Obtain Fiscal Court Approval For All Contracts And Expenditures

**Deposits:**

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



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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM





**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, 2016, 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 preparation 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.

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



To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described 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, 2016, 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, 2016, 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 Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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)**

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 findings:

- 2016-001 The Fiscal Court Did Not Have Adequate Controls Over Reporting Of Capital Assets To Ensure Accuracy
- 2016-002 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations
- 2016-003 The Jailer Failed To Maintain Sufficient Records And Prepare An Accurate Annual Report For The Jail Commissary Fund
- 2016-004 The Jailer Did Not Obtain Fiscal Court Approval For All Contracts And Expenditures

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

February 24, 2017

CLARK COUNTY OFFICIALS

For The Year Ended June 30, 2016

**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, 2016**

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

**For The Year Ended June 30, 2016**

|  | <u>Budgeted Funds</u>   |                      |                      |
|--|-------------------------|----------------------|----------------------|
|  | <u>General<br/>Fund</u> | <u>Road<br/>Fund</u> | <u>Jail<br/>Fund</u> |
| <b>RECEIPTS</b>  |                         |                      |                      |
| Taxes  | \$ 6,387,584            | \$                   | \$                   |
| Excess Fees  | 105,020                 |                      |                      |
| Licenses and Permits   | 65,154                  |                      |                      |
| Intergovernmental  | 1,747,858               | 1,581,923            | 1,583,760            |
| Charges for Services   | 292,442                 |                      | 108,100              |
| Miscellaneous  | 241,786                 | 7,052                | 141,507              |
| Interest   | 6,310                   | 5,310                |                      |
| Total Receipts   | <u>8,846,154</u>        | <u>1,594,285</u>     | <u>1,833,367</u>     |
| <b>DISBURSEMENTS</b>   |                         |                      |                      |
| General Government   | 2,001,282               |                      |                      |
| Protection to Persons and Property   | 3,962,381               |                      | 2,287,261            |
| General Health and Sanitation  | 383,087                 |                      |                      |
| Social Services  | 115,142                 |                      |                      |
| Recreation and Culture   | 248,665                 |                      |                      |
| Roads  |                         | 867,199              |                      |
| Bus Services   | 13,500                  |                      |                      |
| Debt Service   | 228,912                 | 44,499               | 56,774               |
| Capital Projects   | 227,375                 | 414,551              |                      |
| Administration   | 631,033                 | 185,582              | 463,970              |
| Total Disbursements  | <u>7,811,377</u>        | <u>1,511,831</u>     | <u>2,808,005</u>     |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>1,034,777</u>        | <u>82,454</u>        | <u>(974,638)</u>     |
| <b>Other Adjustments to Cash (Uses)</b>  |                         |                      |                      |
| Lease Proceeds   | 322,512                 |                      | 165,000              |
| Transfers From Other Funds   | 500,000                 | 500,000              | 840,150              |
| Transfers To Other Funds   | (1,714,477)             | (500,000)            |                      |
| Total Other Adjustments to Cash (Uses)   | <u>(891,965)</u>        |                      | <u>1,005,150</u>     |
| Net Change in Fund Balance   | 142,812                 | 82,454               | 30,512               |
| Fund Balance - Beginning   | 614,701                 | 549,381              | 8,867                |
| Fund Balance - Ending  | <u>\$ 757,513</u>       | <u>\$ 631,835</u>    | <u>\$ 39,379</u>     |
| <b>Composition of Fund Balance</b>   |                         |                      |                      |
| Bank Balance   | \$ 800,624              | \$ 631,835           | \$ 40,117            |
| Less: Outstanding Checks   | <u>(43,111)</u>         |                      | <u>(738)</u>         |
| Fund Balance - Ending  | <u>\$ 757,513</u>       | <u>\$ 631,835</u>    | <u>\$ 39,379</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, 2016**  
**(Continued)**

| <b>Budgeted Funds</b>                            |                             | <b>Unbudgeted Funds</b>                   |                             |                     |
|--|-----------------------------|---|-----------------------------|---------------------|
| <b>Local Government Economic Assistance Fund</b> | <b>Special Reserve Fund</b> | <b>Public Properties Corporation Fund</b> | <b>Jail Commissary Fund</b> | <b>Total Funds</b>  |
| \$   | \$                          | \$  | \$                          | \$ 6,387,584        |
|  |                             |   |                             | 105,020             |
|  |                             |   |                             | 65,154              |
| 73,377   |                             |   |                             | 4,986,918           |
|  |                             |   |                             | 400,542             |
|  | 101,265                     |   | 163,609                     | 655,219             |
| 2,603  | 3,002                       | 7   |                             | 17,232              |
| <u>75,980</u>                                    | <u>104,267</u>              | <u>7</u>                                  | <u>163,609</u>              | <u>12,617,669</u>   |
|  |                             |   |                             | 2,001,282           |
|  | 91,410                      |   |                             | 6,341,052           |
|  |                             |   |                             | 383,087             |
|  |                             |   |                             | 115,142             |
|  |                             |   | 149,671                     | 398,336             |
|  |                             |   |                             | 867,199             |
|  |                             |   |                             | 13,500              |
|  |                             | 133,915                                   |                             | 464,100             |
|  |                             |   |                             | 641,926             |
|  |                             |   |                             | <u>1,280,585</u>    |
|  | <u>91,410</u>               | <u>133,915</u>                            | <u>149,671</u>              | <u>12,506,209</u>   |
|  |                             |   |                             |                     |
| 75,980   | 12,857                      | (133,908)                                 | 13,938                      | 111,460             |
|  |                             |   |                             | 487,512             |
|  | 240,427                     | 133,900                                   |                             | 2,214,477           |
|  |                             |   |                             | (2,214,477)         |
|  | <u>240,427</u>              | <u>133,900</u>                            |                             | <u>487,512</u>      |
| 75,980   | 253,284                     | (8)                                       | 13,938                      | 598,972             |
| 292,971  | 335,411                     | 8   | 57,081                      | 1,858,420           |
| <u>\$ 368,951</u>                                | <u>\$ 588,695</u>           | <u>\$ 0</u>                               | <u>\$ 71,019</u>            | <u>\$ 2,457,392</u> |
|  |                             |   |                             |                     |
| \$ 368,951                                       | \$ 588,695                  | \$  | \$ 78,890                   | \$ 2,509,112        |
|  |                             |   | (7,871)                     | (51,720)            |
| <u>\$ 368,951</u>                                | <u>\$ 588,695</u>           | <u>\$ 0</u>                               | <u>\$ 71,019</u>            | <u>\$ 2,457,392</u> |

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

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TO THE FINANCIAL STATEMENT**

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**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

**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 Governmental 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 ninety 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, 2016**  
**(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 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 Governmental 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 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.

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.

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.



**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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.

**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 fiscal court 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.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 2. Deposits (Continued)**

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, 2016, 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 2016.

|                                    | General<br>Fund     | Road<br>Fund      | Total<br>Transfers In |
|------------------------------------|---------------------|-------------------|-----------------------|
| General Fund                       | \$                  | \$ 500,000        | \$ 500,000            |
| Road Fund                          | 500,000             |                   | 500,000               |
| Jail Fund                          | 840,150             |                   | 840,150               |
| Special Reserve Fund               | 240,427             |                   | 240,427               |
| Public Properties Corporation Fund | 133,900             |                   | 133,900               |
| Total Transfers Out                | <u>\$ 1,714,477</u> | <u>\$ 500,000</u> | <u>\$ 2,214,477</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**

Agency 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 funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016 was \$75,654.

**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 General Obligation Refunding Bonds for the purpose of refinancing previously issued bonds (1997 Refunding Revenue Bonds) for the Courthouse and Detention Center Facilities Projects. As of June 30, 2016, this debt was paid in full.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. Financing Obligations - Waterlines - East Clark Water District (Three Agreements)**

1. 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 June 30, 2016, was \$162,000. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal         | Interest        |
|------------------------------|-------------------|-----------------|
| 2017                         | \$ 79,000         | \$ 4,781        |
| 2018                         | 83,000            | 2,336           |
| Totals                       | <u>\$ 162,000</u> | <u>\$ 7,117</u> |

2. 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, 2016 was \$284,000. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal         | Scheduled<br>Interest |
|------------------------------|-------------------|-----------------------|
| 2017                         | \$ 90,000         | \$ 9,306              |
| 2018                         | 94,000            | 8,661                 |
| 2019                         | 100,000           | 5,494                 |
| Totals                       | <u>\$ 284,000</u> | <u>\$ 23,461</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. As of June 30, 2016, this debt was paid in full.

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

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Financing Obligation - Fire-Fighting Equipment**

In January 2005, the Clark County Fiscal Court entered into a 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 twelve subsequent annual payments of \$6,919, terminating November 30, 2016. Principal outstanding as of June 30, 2016 was \$6,897. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal | Scheduled<br>Interest |
|------------------------------|-----------|-----------------------|
| 2017                         | \$ 6,897  | \$ 207                |
| Totals                       | \$ 6,897  | \$ 207                |

**D. Financing Obligation - 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 to be paid with ten annual principal payments of varying amounts. This lease was paid off as of June 30, 2016.

**E. Financing Obligation - 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 eleven annual payments of varying amounts, to be paid in full November 20, 2017. Principal outstanding as of June 30, 2016 was \$32,900. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal | Scheduled<br>Interest |
|------------------------------|-----------|-----------------------|
| 2017                         | \$ 15,000 | \$ 1,262              |
| 2018                         | 17,900    | 417                   |
| Totals                       | \$ 32,900 | \$ 1,679              |

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**F. Financing Obligation - Parking Lot Paving**

In April 2011, the Clark County Fiscal Court entered 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, 2016, was \$442,499. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal         | Scheduled<br>Interest |
|------------------------------|-------------------|-----------------------|
| 2017                         | \$ 34,167         | \$ 22,743             |
| 2018                         | 40,000            | 21,667                |
| 2019                         | 42,083            | 19,425                |
| 2020                         | 45,000            | 17,484                |
| 2021                         | 45,000            | 15,323                |
| 2022-2026                    | 236,249           | 38,836                |
| Totals                       | <u>\$ 442,499</u> | <u>\$ 135,478</u>     |

**G. Financing Obligation - 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 ten annual payments of varying amounts, to be paid in full in July 2018. Principal outstanding as of June 30, 2016, was \$30,200. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal        | Scheduled<br>Interest |
|------------------------------|------------------|-----------------------|
| 2017                         | \$ 14,318        | \$ 1,078              |
| 2018                         | 14,647           | 420                   |
| 2019                         | 1,235            | 5                     |
| Totals                       | <u>\$ 30,200</u> | <u>\$ 1,503</u>       |

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**H. Financing Obligation - 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, to be paid in full in July 2018. Principal outstanding as of June 30, 2016, was \$53,032. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal        | Scheduled<br>Interest |
|------------------------------|------------------|-----------------------|
| 2017                         | \$ 25,142        | \$ 1,893              |
| 2018                         | 25,720           | 737                   |
| 2019                         | 2,170            | 8                     |
| Totals                       | <u>\$ 53,032</u> | <u>\$ 2,638</u>       |

**I. Financing Obligation – Fire Truck**

In July 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 ten annual payments of varying amounts, to be paid in full in October 2021. Principal outstanding as of June 30, 2016 was \$113,866. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal         | Scheduled<br>Interest |
|------------------------------|-------------------|-----------------------|
| 2017                         | \$ 21,350         | \$ 5,235              |
| 2018                         | 21,350            | 4,161                 |
| 2019                         | 21,350            | 3,088                 |
| 2020                         | 21,350            | 2,019                 |
| 2021                         | 21,350            | 940                   |
| 2022                         | 7,116             | 75                    |
| Totals                       | <u>\$ 113,866</u> | <u>\$ 15,518</u>      |

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**J. Financing Obligation – Jail Roof**

The Clark County Fiscal Court entered into an agreement with KACoLT on August 31, 2015 to finance replacing the jail roof. The amount of the agreement was \$165,000 and the interest rate was fixed at 3.791 percent. Principal and interest payments are due annually on July 20<sup>th</sup>. Future principal and interest requirements are as follows:

| Fiscal Year Ended<br>June 30 | Principal         | Scheduled<br>Interest |
|------------------------------|-------------------|-----------------------|
| 2017                         | \$ 21,680         | \$ 6,045              |
| 2018                         | 22,162            | 5,434                 |
| 2019                         | 22,824            | 4,594                 |
| 2020                         | 23,507            | 3,728                 |
| 2021                         | 24,211            | 2,837                 |
| 2022-2023                    | 50,616            | 2,893                 |
| Totals                       | <u>\$ 165,000</u> | <u>\$ 25,531</u>      |

**K. Financing Obligation – Fire Truck**

The Clark County Fiscal Court entered into a lease agreement on March 3, 2016 with KACoLT to purchase a fire truck. The amount of the agreement was \$322,512 and the interest rate was fixed at 4.57 percent. Principal and interest payments are due semi-annually, to be paid in full in February 2026.

| Fiscal Year Ended<br>June 30 | Principal         | Scheduled<br>Interest |
|------------------------------|-------------------|-----------------------|
| 2017                         | \$ 27,167         | \$ 14,348             |
| 2018                         | 28,131            | 13,179                |
| 2019                         | 29,202            | 11,881                |
| 2020                         | 30,313            | 10,534                |
| 2021                         | 31,466            | 9,136                 |
| 2022-2026                    | 176,233           | 22,768                |
| Totals                       | <u>\$ 322,512</u> | <u>\$ 81,846</u>      |

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**L. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2016, was as follows:

|                          | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|--------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| General Obligation Bonds | \$ 130,000           | \$                | \$ 130,000        | \$                  | \$                     |
| Financing Obligations    | 1,474,257            | 487,512           | 348,863           | 1,612,906           | 334,721                |
| Total Long-term Debt     | <u>\$ 1,604,257</u>  | <u>\$ 487,512</u> | <u>\$ 478,863</u> | <u>\$ 1,612,906</u> | <u>\$ 334,721</u>      |

**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**

**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 17.06 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 32.95 percent.



**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

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 2014 was \$988,330, FY 2015 was \$942,652, and FY 2016 was \$929,228.

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.

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:

| <b>Years of Service</b> | <b>% paid by Insurance Fund</b> | <b>% Paid by Member through Payroll Deduction</b> |
|-------------------------|---------------------------------|---|
| 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.

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 ten 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.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/employers/GASB/Pages/GASB-Library.aspx>. 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 8. Deferred Compensation**

In 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 the 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, 2016, the Clark County Fiscal Court 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.

**CLARK COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**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. As of June 30, 2016, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

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**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**



**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**

|  | <b>GENERAL FUND</b>     |                  |  |   |
|--|-------------------------|------------------|--|---|
|  | <u>Budgeted Amounts</u> |                  | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original                | Final            |  |   |
| <b>RECEIPTS</b>  |                         |                  |  |   |
| Taxes  | \$ 5,760,051            | \$ 5,767,839     | \$ 6,387,584                               | \$ 619,745  |
| Excess Fees  | 117,466                 | 131,751          | 105,020                                    | (26,731)  |
| Licenses and Permits   | 55,970                  | 57,118           | 65,154                                     | 8,036   |
| Intergovernmental  | 1,872,710               | 2,029,102        | 1,747,858                                  | (281,244)   |
| Charges for Services   | 348,600                 | 348,600          | 292,442                                    | (56,158)  |
| Miscellaneous  | 233,850                 | 247,664          | 241,786                                    | (5,878)   |
| Interest   | 6,000                   | 6,000            | 6,310                                      | 310   |
| Total Receipts   | <u>8,394,647</u>        | <u>8,588,074</u> | <u>8,846,154</u>                           | <u>258,080</u>  |
| <b>DISBURSEMENTS</b>   |                         |                  |  |   |
| General Government   | 2,107,102               | 2,194,954        | 2,001,282                                  | 193,672   |
| Protection to Persons and Property   | 3,493,041               | 3,785,044        | 3,962,381                                  | (177,337)   |
| General Health and Sanitation  | 386,699                 | 426,189          | 383,087                                    | 43,102  |
| Social Services  | 104,300                 | 116,305          | 115,142                                    | 1,163   |
| Recreation and Culture   | 466,500                 | 466,500          | 248,665                                    | 217,835   |
| Bus Services   | 28,500                  | 28,500           | 13,500                                     | 15,000  |
| Debt Service   | 442,326                 | 442,326          | 228,912                                    | 213,414   |
| Capital Projects   | 590,000                 | 590,000          | 227,375                                    | 362,625   |
| Administration   | 1,017,873               | 751,818          | 631,033                                    | 120,785   |
| Total Disbursements  | <u>8,636,341</u>        | <u>8,801,636</u> | <u>7,811,377</u>                           | <u>990,259</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(241,694)</u>        | <u>(213,562)</u> | <u>1,034,777</u>                           | <u>1,248,339</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                         |                  |  |   |
| Lease Proceeds   |                         |                  | 322,512                                    | 322,512   |
| Transfers From Other Funds   |                         |                  | 500,000                                    | 500,000   |
| Transfers To Other Funds   | (998,306)               | (998,306)        | (1,714,477)                                | (716,171)   |
| Total Other Adjustments to Cash (Uses)   | <u>(998,306)</u>        | <u>(998,306)</u> | <u>(891,965)</u>                           | <u>106,341</u>  |
| Net Change in Fund Balance   | (1,240,000)             | (1,211,868)      | 142,812                                    | 1,354,680   |
| Fund Balance Beginning   | <u>1,240,000</u>        | <u>1,240,000</u> | <u>614,701</u>                             | <u>(625,299)</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>             | <u>\$ 28,132</u> | <u>\$ 757,513</u>                          | <u>\$ 729,381</u>                                       |

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

|  | <b>ROAD FUND</b> |                  |  |   |
|--|------------------|------------------|--|---|
|  | Budgeted Amounts |                  | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final            |  |   |
| <b>RECEIPTS</b>  |                  |                  |  |   |
| Intergovernmental  | \$ 1,696,277     | \$ 1,856,404     | \$ 1,581,923                               | \$ (274,481)  |
| Miscellaneous  | 10,000           | 10,000           | 7,052                                      | (2,948)   |
| Interest   | 5,000            | 5,000            | 5,310                                      | 310   |
| Total Receipts   | <u>1,711,277</u> | <u>1,871,404</u> | <u>1,594,285</u>                           | <u>(277,119)</u>  |
| <b>DISBURSEMENTS</b>   |                  |                  |  |   |
| Roads  | 943,000          | 1,049,650        | 867,199                                    | 182,451   |
| Debt Service   | 50,000           | 50,000           | 44,499                                     | 5,501   |
| Capital Projects   | 590,000          | 590,000          | 414,551                                    | 175,449   |
| Administration   | 264,000          | 317,477          | 185,582                                    | 131,895   |
| Total Disbursements  | <u>1,847,000</u> | <u>2,007,127</u> | <u>1,511,831</u>                           | <u>495,296</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(135,723)</u> | <u>(135,723)</u> | <u>82,454</u>                              | <u>218,177</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |                  |  |   |
| Transfers From Other Funds   |                  |                  | 500,000                                    | 500,000   |
| Transfers To Other Funds   |                  |                  | <u>(500,000)</u>                           | <u>(500,000)</u>  |
| Total Other Adjustments to Cash (Uses)   |                  |                  |  |   |
| Net Change in Fund Balance   | (135,723)        | (135,723)        | 82,454                                     | 218,177   |
| Fund Balance Beginning   | <u>135,723</u>   | <u>135,723</u>   | <u>549,381</u>                             | <u>413,658</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ 0</u>      | <u>\$ 631,835</u>                          | <u>\$ 631,835</u>                                       |



**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

|  | <b>JAIL FUND</b> |                    |  |   |
|--|------------------|--------------------|--|---|
|  | Budgeted Amounts |                    | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final              |  |   |
| <b>RECEIPTS</b>  |                  |                    |  |   |
| Intergovernmental  | \$ 966,450       | \$ 1,525,732       | \$ 1,583,760                               | \$ 58,028   |
| Charges for Services   | 84,800           | 111,988            | 108,100                                    | (3,888)   |
| Miscellaneous  | 105,000          | 131,686            | 141,507                                    | 9,821   |
| Total Receipts   | <u>1,156,250</u> | <u>1,769,406</u>   | <u>1,833,367</u>                           | <u>63,961</u>   |
| <b>DISBURSEMENTS</b>   |                  |                    |  |   |
| Protection to Persons and Property   | 1,613,932        | 2,190,801          | 2,287,261                                  | (96,460)  |
| Debt Service   | 80,718           | 56,774             | 56,774                                     |   |
| Administration   | 442,906          | 531,269            | 463,970                                    | 67,299  |
| Total Disbursements  | <u>2,137,556</u> | <u>2,778,844</u>   | <u>2,808,005</u>                           | <u>(29,161)</u>   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(981,306)</u> | <u>(1,009,438)</u> | <u>(974,638)</u>                           | <u>34,800</u>   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |                    |  |   |
| Lease Proceeds   |                  |                    | 165,000                                    | 165,000   |
| Transfers From Other Funds   | 951,306          | 951,306            | 840,150                                    | (111,156)   |
| Total Other Adjustments to Cash (Uses)   | <u>951,306</u>   | <u>951,306</u>     | <u>1,005,150</u>                           | <u>53,844</u>   |
| Net Change in Fund Balance   | (30,000)         | (58,132)           | 30,512                                     | 88,644  |
| Fund Balance Beginning   | <u>30,000</u>    | <u>30,000</u>      | <u>8,867</u>                               | <u>(21,133)</u>   |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ (28,132)</u> | <u>\$ 39,379</u>                           | <u>\$ 67,511</u>  |

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

|  | Budgeted Amounts |                  | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|--|---|
|  | Original         | Final            |  |   |
| <b>RECEIPTS</b>  |                  |                  |  |   |
| Intergovernmental  | \$ 80,000        | \$ 80,000        | \$ 73,377                                  | \$ (6,623)  |
| Interest   | 800              | 800              | 2,603                                      | 1,803   |
| Total Receipts   | <u>80,800</u>    | <u>80,800</u>    | <u>75,980</u>                              | <u>(4,820)</u>  |
| <b>DISBURSEMENTS</b>   |                  |                  |  |   |
| Capital Projects   | <u>200,000</u>   | <u>200,000</u>   |  | <u>200,000</u>  |
| Total Disbursements  | <u>200,000</u>   | <u>200,000</u>   |  | <u>200,000</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(119,200)</u> | <u>(119,200)</u> | <u>75,980</u>                              | <u>195,180</u>  |
| Net Change in Fund Balance   | (119,200)        | (119,200)        | 75,980                                     | 195,180   |
| Fund Balance Beginning   | <u>119,200</u>   | <u>119,200</u>   | <u>292,971</u>                             | <u>173,771</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>      | <u>\$ 0</u>      | <u>\$ 368,951</u>                          | <u>\$ 368,951</u>                                       |

**CLARK COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

|  | <b>SPECIAL RESERVE FUND</b> |                  |  |   |
|--|-----------------------------|------------------|--|---|
|  | Budgeted Amounts            |                  | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original                    | Final            |  |   |
| <b>RECEIPTS</b>  |                             |                  |  |   |
| Miscellaneous  | \$ 93,000                   | \$ 93,000        | \$ 101,265                                 | \$ 8,265  |
| Interest   | 890                         | 890              | 3,002                                      | 2,112   |
| Total Receipts   | <u>93,890</u>               | <u>93,890</u>    | <u>104,267</u>                             | <u>10,377</u>   |
| <b>DISBURSEMENTS</b>   |                             |                  |  |   |
| Protection to Persons and Property   | 455,890                     | 455,890          | 91,410                                     | 364,480   |
| Total Disbursements  | <u>455,890</u>              | <u>455,890</u>   | <u>91,410</u>                              | <u>364,480</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(362,000)</u>            | <u>(362,000)</u> | <u>12,857</u>                              | <u>374,857</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                             |                  |  |   |
| Transfers From Other Funds   | 47,000                      | 47,000           | 240,427                                    | 193,427   |
| Total Other Adjustments to Cash (Uses)   | <u>47,000</u>               | <u>47,000</u>    | <u>240,427</u>                             | <u>193,427</u>  |
| Net Change in Fund Balance   | (315,000)                   | (315,000)        | 253,284                                    | 568,284   |
| Fund Balance Beginning   | <u>315,000</u>              | <u>315,000</u>   | <u>335,411</u>                             | <u>20,411</u>   |
| Fund Balance - Ending  | <u>\$ 0</u>                 | <u>\$ 0</u>      | <u>\$ 588,695</u>                          | <u>\$ 588,695</u>                                       |

**CLARK COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2016**

**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 Governmental 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 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.

**Note 2. Excess of Disbursements Over Appropriations**

General fund protection to persons and property exceeded budgeted appropriation by \$177,337 and jail fund protection to persons and property exceeded budgeted appropriations by \$96,460 due to debt proceeds for the fire truck purchase and jail roof not being budgeted.

**CLARK COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**



**CLARK COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2016**

The fiscal court reports the following Schedule of Capital Assets:

|                                     | Beginning<br>Balance | Additions           | Deletions           | Ending<br>Balance    |
|-------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Land and Land Improvements          | \$ 2,405,330         | \$ 217,375          | \$                  | \$ 2,622,705         |
| Construction In Progress            | 3,325,197            |                     | 3,325,197           |                      |
| Buildings and Building Improvements | 8,855,196            | 3,635,882           |                     | 12,491,078           |
| Vehicles and Equipment              | 3,526,276            | 443,591             | 8,264               | 3,961,603            |
| Other Equipment                     | 1,927,358            | 20,250              |                     | 1,947,608            |
| Infrastructure                      | 9,056,046            | 364,309             |                     | 9,420,355            |
| <br>                                |                      |                     |                     |                      |
| Total Capital Assets                | <u>\$ 29,095,403</u> | <u>\$ 4,681,407</u> | <u>\$ 3,333,461</u> | <u>\$ 30,443,349</u> |

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

**June 30, 2016**

**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<br>Threshold | Useful Life<br>(Years) |
|-------------------------|-----------------------------|------------------------|
| Land Improvements       | \$ 25,000                   | 10-60                  |
| Buildings               | \$ 25,000                   | 10-75                  |
| Building Improvements   | \$ 25,000                   | 10-75                  |
| Machinery and Equipment | \$ 5,000                    | 3-25                   |
| Vehicles                | \$ 5,000                    | 5-10                   |
| Infrastructure          | \$ 20,000                   | 10-50                  |



**CLARK COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**CLARK COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2016**

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal<br>CFDA Number | Pass-Through Entity's<br>Identifying Number | Federal<br>Expenditures |
|--|------------------------|---|-------------------------|
| <b><u>U. S. Department of Transportation</u></b>               |                        |   |                         |
| <i>Passed-Through State Transportation Cabinet:</i>            |                        |   |                         |
| Highway Planning and Construction                              | 20.205                 | PO2-628-1200006550                          | <u>\$ 217,375</u>       |
| <b>Total U.S. Department of Transportation</b>                 |                        |   | <u>217,375</u>          |
| <b><u>U. S. Department of Homeland Security</u></b>            |                        |   |                         |
| <i>Passed-Through State Department of Military Affairs:</i>    |                        |   |                         |
| Public Assistance  | 97.036                 | FEMA-DR-4216-KY                             | 51,403                  |
| Hazard Mitigation Grant  | 97.039                 | PNO209513000000093                          | 6,300                   |
| Chemical Stockpile Emergency Preparedness Program              | 97.040                 | PO2 095 16000047101 **                      | 616,327                 |
| Emergency Management Performance Grants                        | 97.042                 | Not Available                               | <u>25,617</u>           |
| <b>Total U.S. Department of Homeland Security</b>              |                        |   | <u>699,647</u>          |
| Total Expenditures of Federal Awards                           |                        |   | <u>\$ 917,022</u>       |

\*\* - Tested as Major Program or cluster

**CLARK COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2016**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clark County, Kentucky under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clark County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clark County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

The Clark County Fiscal Court has not adopted an indirect cost rate.

**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, 2016, 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 certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items *2016-001 and 2016-003* to be material weaknesses.



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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002 to be a significant deficiency.

**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 noncompliances 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 2016-01 and 2016-004.

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

Clark County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county'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 UNIFORM GUIDANCE**





**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 Uniform Guidance

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) 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, 2016. 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 its 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.



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, 2016.

### 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 the Uniform Guidance, 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 the Uniform Guidance. 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, 2016**



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

**Fiscal Year Ended June 30, 2016**

**Section I: Summary of Auditor's Results**

*Financial Statement*

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis.

Internal control over financial reporting:

|  |   |  |
|--|---|--|
| Are any material weaknesses identified?                        | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| Are any significant deficiencies identified?                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None Reported |
| Are any noncompliances material to financial statements noted? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |

*Federal Awards*

Internal control over major programs:

|  |                              |   |
|--|------------------------------|---|
| Are any material weaknesses identified?  | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No            |
| Are any significant deficiencies identified?   | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None Reported |
| Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>            |                              |   |
| Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No            |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u>         |
|--------------------|---|
| 97.040             | Chemical Stockpile Emergency Preparedness Program |

|  |   |
|--|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000   |
| 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, 2016**

**Section II: Financial Statement Findings**

2016-001 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 all assets meeting the capitalization threshold are listed. The county failed to add new debt totaling \$552,427 to the capital asset 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.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting as well as protect assets from misappropriation. Additionally, KRS 68.210 gives 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, 2016**

**Section II: Financial Statement Findings (Continued)**

2016-001 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.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We will implement another level of monitoring capital purchases over \$5,000.00.*

2016-002 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 deposits 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.
- The jailer should review supporting documentation for all disbursements made. The jailer should also compare disbursements written 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.

Views of Responsible Official and Planned Corrective Action:

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

**CLARK COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2016**

**Section II: Financial Statement Findings (Continued)**

2016-002 The Jailer Did Not Implement Adequate Segregation Of Duties And Oversight For Receipts, Disbursements, And Reconciliations (Continued)

---

Views of Responsible Official and Planned Corrective Action: (Continued)

*County Jailer's Response: I, Jailer Frank Doyle, will be seeking more employees to aid in segregations of duties. We have started having Jailer Frank Doyle to initial all receipts, date stamping receipts as received and paid.*

2016-003 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.
- Daily checkout sheets were not utilized for receipts.

Changes recommended by former auditors were not implemented to correct these issues. The failure to maintain accurate, detailed 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 KRS 68.210:

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

KRS 441.135(2) also states, "[t]he jailer. . .shall annually report to the county treasurer on the canteen account." The jailer should review the jail operations and ensure compliance with DLG's manual and applicable law. Furthermore, we recommend the jailer strengthen controls to ensure minimum accounting and reporting requirements are met.

Views of Responsible Official and Planned Corrective Action:

*County Judge Executive'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's Response: I, Jailer Frank Doyle, have implemented a report on an Excel Document to input monthly to aid in the annual report. Reports previously completed were by what the previous auditors instructed us to do.*

Auditor Reply: As stated in the finding, changes recommended by former auditors were not implemented.

**CLARK COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**

**Section II: Financial Statement Findings (Continued)**

2016-004 The Jailer Did Not Obtain Fiscal Court Approval For All Contracts And Expenditures

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In January 2015, the Clark County Jailer, without fiscal court approval, executed a telephone contract with a telephone service provider for the provision of telephone service for the inmates at the jail. As an incentive for the jail to enter into the contract, the telephone service provider offered a \$60,000 signing bonus, prorated over 48 months. Upon review of the receipts ledger, auditor noticed the county was not receiving any funds for the signing bonus. Per discussion with jail personnel, the county does not receive checks for the bonus, but the commissary sends invoices to the telephone service provider to pay. By doing this, the jailer is, in effect, expending county funds without them being budgeted and approved by fiscal court as part of the jail fund. During FY 2016, the telephone service provider paid six invoices totaling \$16,540.

Jailers do not have the authority to expend county funds from the jail fund without approval of the fiscal court, per KRS 441.225. Both the county and the jailer have a joint responsibility for jail purchases. Per KRS 441.225(1), the jailer “shall have authority to authorize expenditures from the jail budget[,]” but “[s]uch expenditures shall only be made in accordance with the line item jail budget duly adopted or amended by the fiscal court and established county procurement code or purchase order procedure of the county.” The jailer was not aware of the dual responsibility over jail contracts and expenditures.

We recommend the jailer acquire fiscal court approval of all contracts and ensure all expenditures of county funds follow the proper county procurement procedures, including fiscal court approval.

Views of Responsible Official and Planned Corrective Action:

*County Judge Executive’s Response: We, at the central office of Clark County government, will assist the Jailer in bringing any contracts before the Clark County Fiscal Court, in duly session assembled, for approval.*

*County Jailer’s Response: I, Jailer Frank Doyle, moving forward will be placing grants in the budget as a line item for expenditures to be approved by the Fiscal Court. Any and all grant money obtained by this department will be placed as a line item before any expenditures will be made.*

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

None.

**Section IV: Summary Schedule of Prior Audit Findings**

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

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Not Resolved.

*County Response and Comment: Fiscal year 2015 comments have not been corrected because FY2015 and FY2016 audits were performed at the same time.*

**CLARK COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2016**

**Section IV: Summary Schedule of Prior Audit Findings (Continued)**

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

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Not Resolved.

*County Response and Comment: Fiscal year 2015 comments have not been corrected because FY2015 and  
FY2016 audits were performed at the same time.*

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

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Not Resolved.

*County Response and Comment: Fiscal year 2015 comments have not been corrected because FY2015 and  
FY2016 audits were performed at the same time.*

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

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Not Resolved.

*County Response and Comment: Fiscal year 2015 comments have not been corrected because FY2015 and  
FY2016 audits were performed at the same time.*

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

**CLARK COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2016**



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
CLARK COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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

