

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

**For The Year Ended
June 30, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Les Yates, Clark County Judge/Executive

The Honorable Henry Branham, Former Clark County Judge/Executive

Members of the Clark County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

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, 2023, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Clark County Fiscal Court, for the year ended June 30, 2023, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Clark County Fiscal Court, for the year ended June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Clark County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Les Yates, Clark County Judge/Executive
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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 and pervasive.

Responsibilities of Management for the Financial Statement

Clark County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Clark County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clark County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and the Schedule of Expenditures of Federal Awards, as required by 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.

The accompanying Budgetary Comparison Schedules 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 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 Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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:

- 2023-001 The Clark County Fiscal Court Failed To Provide Adequate Oversight Over Accounting, Reporting, And Financial Management Practices
- 2023-002 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2023-003 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Payroll
- 2023-004 The Clark County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash And Receipts
- 2023-005 The Clark County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards In A Timely Manner And Failed To Remit The SEFA To The Department For Local Government
- 2023-006 The Clark County Fiscal Court Materially Misstated Their Financial Statement And Did Not Properly Report Outstanding Liabilities
- 2023-007 The Clark County Fiscal Court Did Not Maintain Adequate Internal Controls Over Revolving Accounts
- 2023-008 The Clark County Fiscal Court Does Not Have Adequate Internal Controls Over Federal Programs

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

November 1, 2024

CLARK COUNTY OFFICIALS
For The Year Ended June 30, 2023

Fiscal Court Members:

Les Yates (January 2, 2023 - present)	County Judge/Executive
Henry Branham (October 22, 2021 - January 1, 2023)	Former County Judge/Executive
Daniel Konstantopoulos	Magistrate
Ernest Pasley (January 2, 2023 - present)	Magistrate
Steve Craycraft (January 2, 2023 - present)	Magistrate
Mark Miller (January 2, 2023 - present)	Magistrate
Christopher Davis	Magistrate
Robert Blanton	Magistrate
Travis Thompson (July 1, 2020 - January 1, 2023)	Former Magistrate
Joe Graham (July 1, 2020 - January 1, 2023)	Former Magistrate
Greg Elkins (July 1, 2020 - January 1, 2023)	Former Magistrate

Other Elected Officials:

William Elkins	County Attorney
Frank Doyle	Jailer
Michelle Turner	County Clerk
Martha M. Miller	Circuit Court Clerk
Berl Perdue, Jr.	Sheriff
Jada Brady (January 2, 2023 - present)	Property Valuation Administrator
Jason Neely (July 1, 2020 - January 1, 2023)	Former Property Valuation Administrator
Neal Oliver (January 2, 2023 - present)	Coroner
Robert Gayheard (July 1, 2020 - January 1, 2023)	Former Coroner

Appointed Personnel:

Mary McLemore (July 1, 2023-Present)	County Treasurer
Alicia Mayabb (September 9, 2020 - June 30, 2023)	Former County Treasurer
Fran Howard	Chief Financial Officer
Mary Blevins	Director of Finance/Asst. Treasurer

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 8,383,447	\$	\$
In Lieu Tax Payments	26,802		
Excess Fees	291,421		
Licenses and Permits	66,148		
Intergovernmental	1,322,504	1,545,134	1,966,493
Charges for Services	115,264	5,751	105,086
Miscellaneous	653,247	7,809	176,349
Interest	13,092	2,310	679
Total Receipts	<u>10,871,925</u>	<u>1,561,004</u>	<u>2,248,607</u>
DISBURSEMENTS			
General Government	2,796,624		
Protection to Persons and Property	3,449,803		5,317,343
General Health and Sanitation	498,704		
Social Services	221,790		
Recreation and Culture	595,304		
Roads		963,492	
Debt Service	499,977	121,244	86,459
Capital Projects		183,075	
Administration	2,828,208	210,622	652,020
Total Disbursements	<u>10,890,410</u>	<u>1,478,433</u>	<u>6,055,822</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(18,485)</u>	<u>82,571</u>	<u>(3,807,215)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	457,371		1,905,000
Change in Payroll Revolving	(1,404)		
Transfers From Other Funds	84,690	75,000	1,897,620
Transfers To Other Funds	(1,972,620)	(78,060)	(6,630)
Total Other Adjustments to Cash (Uses)	<u>(1,431,963)</u>	<u>(3,060)</u>	<u>3,795,990</u>
Net Change in Fund Balance	(1,450,448)	79,511	(11,225)
Fund Balance - Beginning (Restated)	<u>2,664,439</u>	<u>69,904</u>	<u>12,926</u>
Fund Balance - Ending	<u>\$ 1,213,991</u>	<u>\$ 149,415</u>	<u>\$ 1,701</u>
Composition of Fund Balance			
Bank Balance	\$ 1,353,653	\$ 155,328	\$ 47,067
Less: Outstanding Checks	(293,767)	(5,913)	(45,366)
Revolving Account	154,105		
Fund Balance - Ending	<u>\$ 1,213,991</u>	<u>\$ 149,415</u>	<u>\$ 1,701</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, 2023
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Alcoholic Beverage Control Fund	Document Fees Fund	Special Reserve Fund
\$	\$	\$	\$	\$	\$
			4,615		
				54,690	160,647
631	256	30,250	185	37	5,115
631	256	30,250	4,800	54,727	165,762
					169,887
			7,984		
		3,000,000			59,281
					226,903
	74,154	10,973			
	74,154	3,010,973	7,984		456,071
631	(73,898)	(2,980,723)	(3,184)	54,727	(290,309)
631	(73,898)	(2,980,723)	(3,184)	54,727	(290,309)
96,770	76,788	6,779,472	31,012		993,429
\$ 97,401	\$ 2,890	\$ 3,798,749	\$ 27,828	\$ 54,727	\$ 703,120
\$ 97,401	\$ 2,890	\$ 3,798,749	\$ 28,384 (556)	\$ 54,727	\$ 705,640 (2,520)
\$ 97,401	\$ 2,890	\$ 3,798,749	\$ 27,828	\$ 54,727	\$ 703,120

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, 2023
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Opioid Abatement Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 8,383,447
In Lieu Tax Payments			26,802
Excess Fees			291,421
Licenses and Permits			70,763
Intergovernmental			4,834,131
Charges for Services			226,101
Miscellaneous	282,278	198,280	1,533,300
Interest	1,075		53,630
Total Receipts	<u>283,353</u>	<u>198,280</u>	<u>15,419,595</u>
DISBURSEMENTS			
General Government			2,966,511
Protection to Persons and Property			8,775,130
General Health and Sanitation			3,557,985
Social Services			221,790
Recreation and Culture		190,829	1,013,036
Roads			963,492
Debt Service			707,680
Capital Projects			268,202
Administration			3,690,850
Total Disbursements	<u></u>	<u>190,829</u>	<u>22,164,676</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>283,353</u>	<u>7,451</u>	<u>(6,745,081)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			2,362,371
Change in Payroll Revolving			(1,404)
Transfers From Other Funds			2,057,310
Transfers To Other Funds			(2,057,310)
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>	<u>2,360,967</u>
Net Change in Fund Balance	283,353	7,451	(4,384,114)
Fund Balance - Beginning (Restated)	<u></u>	<u>87,894</u>	<u>10,812,634</u>
Fund Balance - Ending	<u>\$ 283,353</u>	<u>\$ 95,345</u>	<u>\$ 6,428,520</u>
Composition of Fund Balance			
Bank Balance	\$ 283,353	\$ 104,289	\$ 6,631,481
Less: Outstanding Checks		(8,944)	(357,066)
Revolving Account			154,105
Fund Balance - Ending	<u>\$ 283,353</u>	<u>\$ 95,345</u>	<u>\$ 6,428,520</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, 2023

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 for and on behalf of, and as the agency and instrumentality of 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, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (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.

State Grant Fund - The primary purpose of this fund is to account for state grant expenses of the county. The primary sources of receipts for this fund are from the state.

Federal Grant Fund - The primary purpose of this fund is to account for federal grant expenses of the county. The primary sources of receipts for this fund are federal grants.

Alcoholic Beverage Control Fund - The primary purpose of this fund is to account for money received for alcoholic beverage licenses by the county.

Document Fees Fund - The primary purpose of this fund is to account for document fees received by the county clerk and disbursed to the county treasurer to be held in a fund for the county clerk's use and the county to disburse on the county clerk's behalf.

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:

Opioid Abatement Fund - The primary purpose of this fund is to account for opioid settlement receipts and disbursements. The primary source of these funds is from the opioid settlement from the state.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund. The Department for Local Government does not require the fiscal court to report or budget for this fund.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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 jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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).

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 and Investments

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected 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.

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 the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2023, 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 2023.

	General Fund	Road Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 78,060	\$ 6,630	\$ 84,690
Road Fund	75,000			75,000
Jail Fund	1,897,620			1,897,620
Total Transfers Out	<u>\$ 1,972,620</u>	<u>\$ 78,060</u>	<u>\$ 6,630</u>	<u>\$ 2,057,310</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.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 4. Custodial Funds

Custodial 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 custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2023 was \$217,433.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 2020 Series Refinance Parking Lot and Fire Truck

On November 10, 2020, the Clark County Fiscal Court entered into a lease agreement to finance the parking lot and fire truck lease agreements. In the event of default, KACo will have all rights and remedies available under applicable law. In addition, they may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable and/or they may repossess property, or in the event of failure to do so within ten days after receipt of such notice, and subject to all applicable laws. The principal amount of the lease was \$408,750. The agreement requires semiannual payments for five years to be paid in full on December 20, 2035. As of June 30, 2023, the principal amount outstanding was \$230,000. Payments for the remaining years are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	80,000	12,958
2025	85,000	8,833
2026	65,000	3,353
Totals	<u>\$ 230,000</u>	<u>\$ 25,144</u>

2. Financing Obligation – Bell Tower and Fire and Road Equipment

On November 15, 2017, the Clark County Fiscal Court obtained a financing through KACo Program Revenue Bonds, 2017E to finance the replacement and remodel of the courthouse bell tower, to purchase fire department equipment, and to purchase road department equipment. Each purpose of the fund usage is broken down into three separate payment schedules. The bell tower payments are semi-annual with payments being due on the 20th of the months of June and December each year until the final payment scheduled on December 20, 2037. The fire equipment and road equipment payments are semi-annual with payments being due on the 20th of the months of June and December each year until the final payment scheduled on December 20, 2027. The effective interest rate is 5.368%. In the case of default, the payments become due immediately and legal action may be pursued. The total principal balance was \$625,000 as of June 30, 2023. Future principal and interest requirements are:

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Financing Obligation – Bell Tower and Fire and Road Equipment (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 18,197	\$ 4,800
2025	18,197	3,844
2026	20,472	2,832
2027	20,472	1,757
2028	<u>22,748</u>	<u>626</u>
Totals	<u>\$ 100,086</u>	<u>\$ 13,859</u>

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 20,000	\$ 16,767
2025	20,000	15,718
2026	20,000	14,668
2027	25,000	13,493
2028	25,000	12,180
2029-2033	135,000	44,510
2034-2038	<u>160,000</u>	<u>18,044</u>
Totals	<u>\$ 405,000</u>	<u>\$ 135,380</u>

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 21,803	\$ 5,750
2025	21,803	4,606
2026	24,528	3,393
2027	24,528	2,105
2028	<u>27,252</u>	<u>750</u>
Totals	<u>\$ 119,914</u>	<u>\$ 16,604</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Dump Trucks

The Clark County Fiscal Court entered into an agreement on October 16, 2020, with National Cooperative Leasing to finance the purchase of two dump trucks for the road department. The amount of the agreement was \$292,355 and the interest rate was fixed at 2.99%. Principal and interest payments are due annually, to be paid in full in May 2025. In the case of default, the payments become due immediately and the assets are held as collateral. Principal outstanding as of June 30, 2023, was \$120,391. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 59,309	\$ 3,600
2025	61,082	1,826
Totals	<u>\$ 120,391</u>	<u>\$ 5,426</u>

4. Dump Truck

The Clark County Fiscal Court entered into an agreement on June 15, 2019, with National Cooperative Leasing to finance the purchase of a dump truck for the road department. The amount of the agreement was \$130,771 and the interest rate was fixed at 4.32%. Principal and interest payments are due annually, to be paid in full in June 2024. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 20, 2023, was \$28,411. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 28,411	\$ 1,226
Totals	<u>\$ 28,411</u>	<u>\$ 1,226</u>

5. Boilers

The Clark County Fiscal Court entered into a lease agreement on April 18, 2017, with the Kentucky Association of Counties Leasing Trust (KACoLT) to finance that purchase and replacement of boilers at the Detention Center. The amount of the agreement was \$142,660 and the interest rate was fixed at 3.83%. Principal and interest payments are due monthly, to be paid in full in June 2024. In the case of default, the payments become due immediately and legal action may be pursued. Principal outstanding as of June 30, 2023, was \$22,412. Future principal and interest requirements are as follows:

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

5. Boilers (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 22,412	\$ 467
Totals	<u>\$ 22,412</u>	<u>\$ 467</u>

6. Jail Roof

The Clark County Fiscal Court entered into an agreement with KACoLT to finance replacing the jail roof. The amount of the agreement was \$165,000 and the interest rate was fixed at 3.79%. Principal and interest payments are due annually on July 20. In the case of default, the payments become due immediately and legal action may be pursued. Principal outstanding as of June 30, 2023, was paid in full.

7. Fire Truck

The Clark County Fiscal Court entered into a lease agreement on September 29, 2021, with KACoLT to purchase a fire truck. The amount of the agreement was \$560,000 and the interest rate was fixed at 1.02%. Principal and interest payments are due semi-annually, to be paid in full in December 2028. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2023, was \$470,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 70,000	\$ 18,012
2025	70,000	15,213
2026	75,000	12,312
2027	80,000	9,213
2028	80,000	6,013
2029	<u>95,000</u>	<u>2,206</u>
Totals	<u>\$ 470,000</u>	<u>\$ 62,969</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

8. Sheriff Vehicles

On April 19, 2022, the Clark County Fiscal Court entered into a lease agreement with KACoLT in the amount of \$280,000 to purchase sheriff vehicles. Principal and interest payments are due monthly at a rate of 3.30%, to be paid in full in April 2025. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2023, was \$173,846. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 93,798	\$ 4,325
2025	<u>80,048</u>	<u>1,215</u>
Totals	<u>\$ 173,846</u>	<u>\$ 5,540</u>

9. Fire Truck

The Clark County Fiscal Court entered into a lease agreement on June 20, 2022, with KACoLT to purchase a fire truck. The amount of the agreement was \$700,000 and the interest rate was fixed at 4.67%. Principal and interest payments are due monthly, to be paid in full in June 2032. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2023, was \$640,547. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 61,694	\$ 28,586
2025	63,874	25,660
2026	66,131	22,631
2027	68,467	19,495
2028	70,886	16,247
2029-2032	<u>309,495</u>	<u>30,162</u>
Totals	<u>\$ 640,547</u>	<u>\$ 142,781</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

10. Parks and Recreation Annex Repairs

On October 20, 2022, the Clark County Fiscal Court entered into an agreement with KACoLT to finance annex repairs for parks and recreation. The amount of the agreement was \$402,247 and the interest rate was fixed at 4.06%, to be paid in full in October 2027. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2023, was \$402,247. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 86,653	\$ 16,191
2025	90,240	12,251
2026	93,975	8,148
2027	97,865	3,876
2028	33,514	312
Totals	<u>\$ 402,247</u>	<u>\$ 40,778</u>

11. Jail Improvement Project

On June 20, 2023, the Clark County Fiscal Court obtained Financing Program Revenue Bonds, 2023A in the amount of \$1,905,000 to finance the improvement project of the county detention center. Payments are due semi-annually on the 20th of June and December, with the final payment due on December 20, 2042. The effective interest rate is 4.08%. In the case of default, the payments become due immediately and legal action may be pursued. The total principal balance was \$1,905,000 as of June 30, 2023. Future principal and interest requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 55,000	\$ 91,879
2025	60,000	89,004
2026	60,000	86,004
2027	65,000	82,879
2028	70,000	79,504
2029-2033	400,000	341,270
2034-2038	525,000	225,645
2039-2043	670,000	81,768
Totals	<u>\$ 1,905,000</u>	<u>\$ 1,077,953</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	<u>\$ 2,793,700</u>	<u>\$ 2,362,371</u>	<u>\$ 538,218</u>	<u>\$ 4,617,853</u>	<u>\$ 617,277</u>
Total Long-term Debt	<u><u>\$ 2,793,700</u></u>	<u><u>\$ 2,362,371</u></u>	<u><u>\$ 538,218</u></u>	<u><u>\$ 4,617,853</u></u>	<u><u>\$ 617,277</u></u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 617,277	\$ 204,561
2025	570,244	178,170
2026	425,106	153,341
2027	381,332	132,818
2028	329,399	115,632
2029-2033	939,495	418,148
2034-2038	685,000	243,689
2039-2043	<u>670,000</u>	<u>81,768</u>
Totals	<u><u>\$ 4,617,853</u></u>	<u><u>\$ 1,528,127</u></u>

Note 6. Contingencies

The county is involved in multiple lawsuits. 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.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2021 was \$1,569,499, FY 2022 was \$1,975,072, and FY 2023 was \$2,432,392.

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% 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 Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.7%.

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8% of their annual creditable compensation and also contribute 1% 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 of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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.

The county's contribution rate for hazardous employees was 49.5% .

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn \$10 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 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, the employee's spouse receives \$10 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.

Benefits are covered under KRS 78.5536.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. Annual Reports for 2012 and after are available online at <https://kyret.ky.gov>. Archived reports may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2023, 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, 2023
(Continued)

Note 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to manufacturing companies 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, 2023, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 11. Prior Period Adjustments

The beginning balance of the general fund was increased by \$87,656 for balances of the payroll revolving accounts.

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CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

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CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,825,000	\$ 6,825,000	\$ 8,383,447	\$ 1,558,447
In Lieu Tax Payments	27,000	27,000	26,802	(198)
Excess Fees	228,712	228,712	291,421	62,709
Licenses and Permits	58,000	58,000	66,148	8,148
Intergovernmental	1,325,480	1,939,480	1,322,504	(616,976)
Charges for Services	80,000	80,000	115,264	35,264
Miscellaneous	528,000	528,000	653,247	125,247
Interest	15,000	15,000	13,092	(1,908)
Total Receipts	<u>9,087,192</u>	<u>9,701,192</u>	<u>10,871,925</u>	<u>1,170,733</u>
DISBURSEMENTS				
General Government	2,701,774	3,159,012	2,796,624	362,388
Protection to Persons and Property	5,264,673	4,928,182	3,449,803	1,478,379
General Health and Sanitation	559,550	580,735	498,704	82,031
Social Services	79,000	573,920	221,790	352,130
Recreation and Culture	287,000	595,305	595,304	1
Debt Service	461,475	500,329	499,977	352
Administration	3,376,700	2,844,060	2,828,208	15,852
Total Disbursements	<u>12,730,172</u>	<u>13,181,543</u>	<u>10,890,410</u>	<u>2,291,133</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,642,980)</u>	<u>(3,480,351)</u>	<u>(18,485)</u>	<u>3,461,866</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	700,000	1,157,371	457,371	(700,000)
Transfers From Other Funds			84,690	84,690
Transfers To Other Funds	<u>(952,620)</u>	<u>(952,620)</u>	<u>(1,972,620)</u>	<u>(1,020,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(252,620)</u>	<u>204,751</u>	<u>(1,430,559)</u>	<u>(1,635,310)</u>
Net Change in Fund Balance	(3,895,600)	(3,275,600)	(1,449,044)	1,826,556
Fund Balance - Beginning (Restated)	<u>3,895,600</u>	<u>3,895,600</u>	<u>2,664,439</u>	<u>(1,231,161)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 620,000</u>	<u>\$ 1,215,395</u>	<u>\$ 595,395</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,902,922	\$ 1,902,922	\$ 1,545,134	\$ (357,788)
Charges for Services	10,000	10,000	5,751	(4,249)
Miscellaneous	21,000	21,000	7,809	(13,191)
Interest	4,000	4,000	2,310	(1,690)
Total Receipts	1,937,922	1,937,922	1,561,004	(376,918)
DISBURSEMENTS				
Roads	1,191,373	1,259,033	963,492	295,541
Debt Service	117,000	121,700	121,244	456
Capital Projects	370,000	370,000	183,075	186,925
Administration	334,549	262,189	210,622	51,567
Total Disbursements	2,012,922	2,012,922	1,478,433	534,489
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(75,000)	(75,000)	82,571	157,571
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			75,000	75,000
Transfers To Other Funds			(78,060)	(78,060)
Total Other Adjustments to Cash (Uses)			(3,060)	(3,060)
Net Change in Fund Balance	(75,000)	(75,000)	79,511	154,511
Fund Balance - Beginning	75,000	75,000	69,904	(5,096)
Fund Balance - Ending	\$ 0	\$ 0	\$ 149,415	\$ 149,415

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,368,366	\$ 2,368,366	\$ 1,966,493	\$ (401,873)
Charges for Services	105,722	105,722	105,086	(636)
Miscellaneous	111,560	111,560	176,349	64,789
Interest	500	500	679	179
Total Receipts	<u>2,586,148</u>	<u>2,586,148</u>	<u>2,248,607</u>	<u>(337,541)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,735,560	3,416,408	5,317,343	(1,900,935)
Debt Service	51,000	86,710	86,459	251
Administration	752,208	655,650	652,020	3,630
Total Disbursements	<u>3,538,768</u>	<u>4,158,768</u>	<u>6,055,822</u>	<u>(1,897,054)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(952,620)</u>	<u>(1,572,620)</u>	<u>(3,807,215)</u>	<u>(2,234,595)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			1,905,000	1,905,000
Transfers From Other Funds	952,620	952,620	1,897,620	945,000
Transfers To Other Funds			(6,630)	(6,630)
Total Other Adjustments to Cash (Uses)	<u>952,620</u>	<u>952,620</u>	<u>3,795,990</u>	<u>2,843,370</u>
Net Change in Fund Balance		(620,000)	(11,225)	608,775
Fund Balance - Beginning			12,926	12,926
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (620,000)</u>	<u>\$ 1,701</u>	<u>\$ 621,701</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,000	\$ 1,000	\$ 631	\$ (369)
Total Receipts	1,000	1,000	631	(369)
DISBURSEMENTS				
Administration	97,600	97,600		97,600
Total Disbursements	97,600	97,600		97,600
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(96,600)	(96,600)	631	97,231
Net Change in Fund Balance	(96,600)	(96,600)	631	97,231
Fund Balance - Beginning	96,600	96,600	96,770	170
Fund Balance - Ending	\$ 0	\$ 0	\$ 97,401	\$ 97,401

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	STATE GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 76,825	\$ 76,825	\$	\$ (76,825)
Interest	500	500	256	(244)
Total Receipts	77,325	77,325	256	(77,069)
DISBURSEMENTS				
Capital Projects	76,825	76,825	74,154	2,671
Administration	500	500		500
Total Disbursements	77,325	77,325	74,154	3,171
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(73,898)	(73,898)
Net Change in Fund Balance			(73,898)	(73,898)
Fund Balance - Beginning			76,788	76,788
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,890	\$ 2,890

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Interest	\$ 20,000	\$ 20,000	\$ 30,250	\$ 10,250
Total Receipts	20,000	20,000	30,250	10,250
DISBURSEMENTS				
General Health and Sanitation		3,000,000	3,000,000	
Capital Projects		10,978	10,973	5
Administration	6,797,921	3,786,943		3,786,943
Total Disbursements	6,797,921	6,797,921	3,010,973	3,786,948
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,777,921)	(6,777,921)	(2,980,723)	3,797,198
Net Change in Fund Balance	(6,777,921)	(6,777,921)	(2,980,723)	3,797,198
Fund Balance - Beginning	6,777,921	6,777,921	6,779,472	1,551
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,798,749	\$ 3,798,749

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

ALCOHOLIC BEVERAGE CONTROL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 2,000	\$ 2,000	\$ 4,615	\$ 2,615
Interest	200	200	185	(15)
Total Receipts	2,200	2,200	4,800	2,600
DISBURSEMENTS				
Protection to Persons and Property	37,200	37,200	7,984	29,216
Total Disbursements	37,200	37,200	7,984	29,216
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(35,000)	(35,000)	(3,184)	31,816
Net Change in Fund Balance	(35,000)	(35,000)	(3,184)	31,816
Fund Balance - Beginning	35,000	35,000	31,012	(3,988)
Fund Balance - Ending	\$ 0	\$ 0	\$ 27,828	\$ 27,828

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

DOCUMENT FEES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 25,000	\$ 25,000	\$ 54,690	\$ 29,690
Interest	150	150	37	(113)
Total Receipts	25,150	25,150	54,727	29,577
DISBURSEMENTS				
General Government	25,150	25,150		25,150
Total Disbursements	25,150	25,150		25,150
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			54,727	54,727
Net Change in Fund Balance			54,727	54,727
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 54,727	\$ 54,727

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

SPECIAL RESERVE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 106,907	\$ 106,907	\$ 160,647	\$ 53,740
Interest	5,000	5,000	5,115	115
Total Receipts	111,907	111,907	165,762	53,855
DISBURSEMENTS				
General Government		169,887	169,887	
General Health and Sanitation	229,693	214,097	59,281	154,816
Recreation and Culture	191,859	295,859	226,903	68,956
Administration	560,246	301,955		301,955
Total Disbursements	981,798	981,798	456,071	525,727
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(869,891)	(869,891)	(290,309)	579,582
Net Change in Fund Balance	(869,891)	(869,891)	(290,309)	579,582
Fund Balance - Beginning	869,891	869,891	993,429	123,538
Fund Balance - Ending	\$ 0	\$ 0	\$ 703,120	\$ 703,120

CLARK COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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. Reconciliation of the General Fund

Other Adjustments to Cash (Uses)	\$ (1,430,559)
To adjust for change in revolving account	<u>(1,404)</u>
Total Intergovernmental - Regulatory Basis	<u>\$ (1,431,963)</u>
Fund Balance - Ending	\$ 1,215,395
To adjust for change in revolving account	<u>(1,404)</u>
Total Intergovernmental - Regulatory Basis	<u>\$ 1,213,991</u>

CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2023

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CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity/s Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ _____	\$ 3,010,973
Total U.S. Department of Treasury			_____	3,010,973
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through State Department: Kentucky Department for Local Government</i>				
Community Development Block Grant - CV (Non-Entitlement Program)	14.228		\$ _____	\$ 132,900
Total U.S. Department of Housing and Urban Development			_____	132,900
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Chemical Stockpile Emergency Preparedness Program	97.040		\$ _____	\$ 709,152
Total U.S. Department of Homeland Security			_____	709,152
Total Expenditures of Federal Awards			\$ 0	\$ 3,853,025

The accompanying notes are an integral part of this schedule.

CLARK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

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, 2023. 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

Clark County has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CLARK COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

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CLARK COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 3,008,107	\$	\$	\$ 3,008,107
Buildings & Building Improvements	13,720,673			13,720,673
Other Equipment	2,051,880			2,051,880
Vehicles & Equipment	4,228,000			4,228,000
Infrastructure	10,003,912			10,003,912
 Total Capital Assets	 <u>\$ 33,012,572</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 33,012,572</u>

CLARK COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2023

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	5-10
Infrastructure	\$ 20,000	10-50

Note 2. Capital Assets Schedule

There was no activity reported by the county during the year or a listing maintained. The prior year schedule was carried forward.

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

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

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

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, 2023, 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 November 1, 2024.

Report on 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) as a basis for designing 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, 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 Responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, and 2023-008 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)

Report on 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 Responses as item 2023-007 to be a significant deficiency.

Report on 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2023-002, 2023-003, 2023-005, 2023-006, and 2023-008.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Clark County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

November 1, 2024

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

The Honorable Les Yates, Clark County Judge/Executive
The Honorable Henry Branham, Former Clark County Judge/Executive

Members of the Clark County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Clark County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, Clark County Fiscal Court complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Clark County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Clark County Fiscal Court's compliance with the compliance requirements referred to above.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Clark County Fiscal Court's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Clark County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Clark County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Clark County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Clark County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Clark County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

November 1, 2024

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CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2023

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CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2023

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:
 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: Unmodified		
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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings

2023-001 The Clark County Fiscal Court Failed To Provide Adequate Oversight Over Accounting, Reporting, And Financial Management Practices

This is a repeat finding and was included in the prior year audit report as finding 2022-001. The fiscal court lacks segregation of duties and compensating controls over an extensive number of accounting and reporting functions. Numerous deficiencies were noted in the county's internal control structure over their financial management practices, which resulted in numerous and pervasive deficiencies as listed below:

- Failure to maintain an accurate capital asset schedule.
- Failure to implement proper internal controls over payroll. (See 2023-003)
- Failure to implement proper internal controls over disbursements. (See 2023-002)
- Failure to maintain adequate internal controls over revolving accounts that includes reconciliation and review of these accounts. (See 2023-007)
- Failure to follow KRS Chapter 393A regarding stale dated checks.
- Failure to address \$233,952 of questioned costs associated with federal program 21.019 Coronavirus Relief Fund noted in the two prior year audits. (See 2023-008)
- Failure to prepare an accurate and timely Schedule of Expenditures of Federal Awards (SEFA). (See 2023-005)
- Lacks adequate internal controls over federal programs. (See 2023-008)
- Failure to maintain required records for federal rewards. (See 2023-008)
- The treasurer's settlement did not contain required documentation.
- There is no documented evidence of the review of the bank reconciliations, bank statements, and deposits by someone independent of the recording and reporting functions.

The lack of oversight of county personnel by the county judge/executive and fiscal court creates an environment where the accounting and reporting functions of the county go unchecked.

A limited budget places restrictions on the number of employees the fiscal court can hire. When faced with limited number of staff, strong compensating controls should have been in place to offset the lack of segregation of duties. The lack of oversight could result in undetected misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The proper segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the fiscal court segregate duties and implement strong oversight over receipts, disbursements, bank reconciliation processes, and reporting. If segregation of duties is not possible, then the fiscal court should continue to implement compensating controls by monitoring the financial activities of the fiscal court and continue to document this review.

County Judge/Executive's Response: See Appendix A

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-002 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The following deficiencies were noted during the testing of 104 disbursements:

- One disbursement was recorded as an incorrect check number;
- Sixteen disbursements payments were past due;
- Eighteen disbursements lacked documentation of approval by the fiscal court;
- Five disbursements lacked bid documentation;
- Fourteen disbursements lacked a purchase order, invoice, or other supporting documentation; and
- One disbursement was missing a copy of the check.

The county did not have effective internal controls in place to ensure that disbursements made by the fiscal court were properly supported prior to payment or had an authorized purchase order prior to the service or goods being ordered.

These internal control deficiencies result in a noncompliance with state law and the county's administrative code. Failure to maintain proper supporting documentation may result in the misappropriation of assets. Also, if purchase orders are not utilized, the county cannot determine if the operating budget is being overspent.

KRS 65.140 states, in part, "all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice[.]"

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." The Clark County Administrative Code requires all claims for payment be filed in writing to the County Judge and presented to fiscal court meeting for approval.

We recommend the county monitor disbursements to ensure procurement procedures are followed properly for all purchases in the future.

County Judge/Executive's Response: See Appendix A

2023-003 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2022-004. The Clark County Fiscal Court failed to properly implement internal controls over payroll. We tested 22 employees from one pay period and noted the following:

- One county employee's timesheet was unable to be located;
- The county attorney's assistant did not maintain a timesheet;
- Employees are not working full-time hours in accordance with the administrative code but receive benefits; and
- The fiscal court did not maintain an approved salary schedule.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-003 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Payroll (Continued)

The lack of oversight and understanding of applicable laws, regulations, and proper internal controls over timesheets by county staff resulted in the issues noted above.

Failing to properly prepare and authorize timesheets and reconcile timesheet hours may result in the incorrect amounts paid to employees for hours worked and results in a noncompliance with state law and the county's administrative code.

Timesheets should be maintained by all non-exempt employees required by KRS 337.320(1)(b). Timesheets should be maintained and document the hours worked each day and each week by each employee. Each timesheet should be signed by the employee and their supervisor.

In accordance with Clark County's Administrative Code:

- A. All employees of the County workforce shall be classified as full-time, part-time, seasonal, or temporary.
 - (1) Full-Time Employee: An employee who works 37.5 or more hours per week on a regular scheduled basis.
 - (2) Part-Time Employee: An employee who works less than 37.5 hours per week.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Proper procedures for payroll are a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the fiscal court implement procedures to ensure that all employees who are non-exempt as defined by state law prepare and sign a timesheet for each pay period and have employees' supervisors sign the timesheets to evidence their review of the timesheets and to signify that the hours documented are accurate. We recommend the fiscal court maintain all timesheets for each pay period as required by state law. Also, we recommend the county follow the administrative code's requirements regarding how many hours an employee must work to be considered full-time and maintain an approved salary schedule.

County Judge/Executive's Response: See Appendix A

2023-004 The Clark County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash And Receipts

This is a repeat finding and was included in the prior year audit report as finding 2022-005. The Clark County Fiscal Court lacks adequate segregation of duties over cash and receipts. The county treasurer prepares deposit tickets and posts receipts to the receipt ledger for all receipts for all funds without any documented review from an independent party. There was no evidence of review of bank reconciliations, monthly reports, and the county's financial statements do not appear to have been properly reviewed prior to submission.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-004 The Clark County Fiscal Court Lacks Adequate Segregation Of Duties Over Cash And Receipts
 (Continued)

Due to budgetary restrictions and inadequate staffing levels, procedures are not properly segregated among county staff and the county has not taken proper steps to implement compensating controls to mitigate the risks.

The lack of segregation of duties and compensating controls increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Adequate segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the fiscal court implement segregation of duties over cash, receipts, and the reporting processes. If this is not possible due to a lack of staff, then the fiscal court should implement compensating controls.

County Judge/Executive’s Response: See Appendix A

2023-005 The Clark County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards In A Timely Manner And Failed To Remit The SEFA To The Department For Local Government

This is a repeat finding and was included in the prior year audit report as finding 2022-006. The county did not prepare an accurate Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2023. The SEFA was not prepared until after auditors requested it during fieldwork and was not remitted to the Department for Local Government (DLG). In addition, the SEFA did not accurately list all federal program monies expended in fiscal year 2023, leading to an adjustment of \$132,900 to add an additional program.

The fiscal court did not have adequate procedures in place to ensure the preparation of the SEFA to ensure that all federal expenditures were accurately reported and remitted timely. The failure to properly prepare the SEFA may result in the county failing to comply with the Single Audit requirement and/or suspension of federal monies.

2 CFR 200.510(b) requires the auditee to “also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements.” At a minimum, the schedule should include the following, if applicable:

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-005 The Clark County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards In A Timely Manner And Failed To Remit The SEFA To The Department For Local Government (Continued)

- (1) A list of individual Federal programs by Federal agency.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity.
- (3) The total Federal awards expended for each individual Federal program and the Assistance Listing number or other identifying number when the Assistance Listing number is not available.
- (4) Notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) In either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year-end. While not required, it is preferable to present this information in the schedule.

In addition, the DLG requires the SEFA to be submitted at the end of the fiscal year when submitting the fourth quarter financial report.

We recommend the county establish procedures to ensure that the SEFA is prepared accurately and remitted timely to DLG.

County Judge/Executive's Response: See Appendix A

2023-006 The Clark County Fiscal Court Materially Misstated Their Financial Statement And Did Not Properly Report Outstanding Liabilities

The Clark County Fiscal Court materially misstated the amount of financing obligation proceeds by \$1,205,000; the total included proceeds previously reported in the prior fiscal year that were removed. The county did not properly report the total interest owed on most of their debt obligations on June 30, 2023. Interest payments totaling \$71,917 that were made prior to June 30th were not accurately reflected in the county's liability schedule included with their fourth quarter report. The following deficiencies were noted:

- Financing obligations for the Jail Improvement Project of \$1,905,000 were not reported.
- Financing obligations of \$700,000 for fire truck #18 were removed as they were previously reported in fiscal year 2022 financial statements.
- 2020 series overstated by \$7,479.
- Bell tower overstated by \$7,952.
- Breathing apparatus overstated by \$2,502.
- Loader/Tracker overstated by \$2,998.
- Fire truck #16 overstated by \$9,706.
- Sheriff vehicles overstated by \$499.
- Fire truck #18 overstated by \$2,511.
- Parks & Recreation Annex overstated by \$1,522.
- Jail Improvement Project overstated by \$36,748.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-006 The Clark County Fiscal Court Materially Misstated Their Financial Statement And Did Not Properly Report Outstanding Liabilities (Continued)

The county did not have proper internal controls in place to ensure final reporting amounts agreed to underlying documentation of amounts received and actual amounts paid. Financial statements were misstated and required material adjustments to correctly report the total financing the county received for the fiscal year. Errors in outstanding debt balances went undetected and were reported on the fourth quarter report.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires the county to prepare a financial statement which includes total receipts and total disbursements on a cash basis per line-item category. Properly reporting outstanding liabilities is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Clark County Fiscal Court ensure that proceeds for any new debt incurred be reported timely under the correct fiscal year. We also recommend they review their debt schedules and compare them to the original amortization schedules annually before submitting the finalized fourth quarter report to the Department for Local Government.

County Judge/Executive's Response: The official did not provide a response.

2023-007 The Clark County Fiscal Court Did Not Maintain Adequate Internal Controls Over Revolving Accounts

This is a repeat finding and was included in the prior year audit report as finding 2022-003. The fiscal court lacks proper internal controls over the reconciliation of revolving accounts. During our review of revolving accounts and reconciliation, we noted that all revolving accounts and the insurance account are not being properly reviewed and reconciled. The following will be reported as part of the General Fund balance as of June 30, 2023, for the following accounts:

- The Payroll Fringe Account did not reconcile near zero and had a balance of \$59,400.
- The Payroll Insurance Account did not reconcile near zero and had a balance of \$52,579.
- The old payroll account was not closed and had a balance of \$5,025.
- The old fringe account was not closed and had a balance of \$37,101.

Management failed to properly implement review and reconciliation procedures over revolving and insurance accounts. Failure to properly implement controls may result in misappropriation of assets and/or fraudulent reporting.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-007 The Clark County Fiscal Court Did Not Maintain Adequate Internal Controls Over Revolving Accounts (Continued)

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Proper internal controls over reconciliations of revolving accounts are necessary to ensure the accuracy and reliability of financial reports.

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, we recommend that the fiscal court implement internal controls over revolving and payroll related account reconciliations to prevent misappropriation of assets. We also recommend the old payroll and old fringe accounts be closed and balances transferred accordingly.

County Judge/Executive’s Response: See Appendix A

2023-008 The Clark County Fiscal Court Has Not Followed Up On Previously Identified Noncompliances Over Federal Programs

This is a partially repeated finding and was included in prior year audit report as findings 2022-007 and 2022-008. The Clark County Fiscal Court failed to implement adequate internal controls to address previously communicated internal control weaknesses and questioned costs over federal programs. There are not adequate processes in place to ensure compliance requirements for federal programs. The fiscal court did not define, maintain, or periodically evaluate the skills and expertise needed among its members to enable them to follow-up on previously identified noncompliances. Further, the fiscal court did not maintain an organizational structure that facilitated effective reporting and other communications about internal control over compliance among various functions and positions of management.

The fiscal court staff believed that they had appropriate procedures in place and did not realize that they were not sufficient. The fiscal court budgets for training in every department; however, training is not mandatory, and the fiscal court does not ensure that training is sufficient for relevant employees.

By not properly following up on previously identified noncompliances over federal programs, the risk of errors in financial reporting and misappropriation of federal funds due to fraud could go undetected without the proper internal controls. The county may also become ineligible for future federal awards or be required by agencies to repay questioned costs identified in previous fiscal years.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-008 The Clark County Fiscal Court Does Not Have Adequate Internal Controls Over Federal Programs
 (Continued)

2 CFR § 200.303 regarding internal controls states the non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards
- (d) Take prompt action when instances of noncompliance are identified.

We recommend the county establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

County Judge/Executive’s Response: The official did not provide a response.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

Not applicable.

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**VIEWS OF RESPONSIBLE OFFICIAL AND
PLANNED CORRECTIVE ACTION**

CLARK COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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LES YATES
COUNTY JUDGE/EXECUTIVE

JAMES TIPTON
DEPUTY JUDGE/EXECUTIVE

FRAN HOWARD
FINANCE OFFICER

RHONDA BLYTHE
ADMINISTRATIVE ASSISTANT



Judge/Executive's Office
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Winchester, KY 40391

(859) 745-0200

clarkcountyjudge@clarkcoky.com

Office of the Judge/Executive **CLARK COUNTY, KENTUCKY**

FY 2023 State Audit Corrective Action

November 21, 2024

Introduction:

I took office on January 2, 2023 therefore I can only account for half of this fiscal year. The previous elected republican county judge had passed away while in office. A republican Clark County magistrate was self- appointed to this office for ten days. The governor then appointed the democrat county judge that was defeated back into this office. The fiscal court had become accustomed to micro- managing the county government. Since I, also a republican, was not part of the local click, the fiscal court began an attack upon my administration. They cut the salary in at least half of anyone I tried to appoint to hinder that person from taking the job. This was not resolved until a suit was settled in the Clark County Circuit Court. The county attorney defended the magistrates. The fiscal court had hindered this office in every way they could from day one. The above comments along with a 67% employee turnover rate is the root of most of these problems.

Finding #1, The County failed to provide adequate oversight over accounting, reporting, and financial management practices.

As stated above in the opening I took office on January 2, 2023 therefore I can only account for half of this fiscal year. My only available staff was an administrative assistant from a temporary agency. The finance officer was let go, due to poor accounting work. The HR director, the Treasure, and the Finance director were fairly new. The fiscal court, especially Magistrate [REDACTED] had been used to micro-managing the

Clark County...where the goodness of our people is reflected in the character of our community.

present departments. Each department reported directly to this Magistrate, they did not report to the county judge. The employees were in fear of losing there jobs and did not want it to appear to the court that they were helping me. This situation led to a very toxic work environment, most of which still exists today. This county had already had three Treasurers in four years at this time. There was no oversight by the fiscal court on the spending or management practices of county departments. Spending was out of control. The fiscal court changed the budget against the will of the treasurer at this time. The fiscal court manipulated the receipt side of the budget to support their out of control spending. They passed a budget with a carry over of approximately \$2,600,000.00. The treasurer at this time would not concur with the fiscal court on the budget. The actual carry over at the end of FY2023 was only \$1, 050,000.00. The county budget started out a million and one half in the hole. This problem has been lessened to a degree but is still going on after July 1, 2023. The FY2024 budget was better.

Finding #2, The Clark County Fiscal Court failed to implement proper internal controls over disbursements.

The fiscal court quickly increased the small purchase ceiling for all departments from \$1,000.00 to \$5,000.00. All departments were ordering materials and filling out a purchase order after receiving the items. A common comment made to me by various departments was that they could spend the money since it was in their budget. The fiscal court condoned this practice as long as the department heads did what they were told. There was no accountability as to what was spent, how many employees were hired or given raises, or what new equipment was purchased. There were no internal controls, the department heads were running their own companies. No one was in charge of county government. The newly elected magistrates had their own special projects. No internal controls were put into place until late in FY2024.

7

Finding #~~2~~, The Fiscal Court did not maintain adequate internal controls over revolving accounts.

The previous finance officer/IT person, that I replaced, had the revolving accounts in a total mess. Many invoices were lost, some not paid in four months, and others paid to the wrong accounts. The Lowes account had been paid late on a regular basis, to the point that Lowes finely canceled the account. After months of negotiations, Lowes agreed to give the county another chance. Some departments were allowed to have charge cards while others were not. We found out that part of the late payments was due to receiving mail very late and the mail taking a long time to be delivered. Late in FY2024, being able to view revolving accounts on-line, the new finance officer began to get the accounts in order and up to date. It had taken over four months to straighten up the finance officer's paperwork.

3

Finding #4, The Clark County Fiscal Court failed to implement proper internal controls over payroll.

Before I came into office, the interim County Judge position was filled by Magistrate [REDACTED] for ten days. He and the fiscal court created the Human Resources Office position and filled the position. Until that time the payroll was handled by the County Judges office. At this time the fiscal court switched to a new payroll system. I had to approve time sheets without knowing anything about the positions or hours worked. For example, the road department was changed to work a four- ten-hour day work week. This was created to allow the road supervisor to manage the solid waste department and the animal compost department. He always turned in anywhere from 10 to 12 hours every Friday on the compost department. There was no way to verify his attendance. Payroll accounting was and is still very loosely controlled in that employees can clock in and out using their cells phones from any location. This makes it difficult to monitor if they are actually at work.

4

Finding #5, The Clark County Fiscal Court lacks adequate segregation of duties over cash receipts.

The main two departments turning in cash is the animal shelter and the road department. The road department sells compost and road culverts to the general public. The sales tax being collected for both items was never turned into the department of revenue by the treasurer. The county treasurer was made aware of this situation. The cash situation was a little better at the end of calendar year 2024. The segregation of duties is better now, but the accounting for the sales is very loose. The fiscal court changed the local administration code to allow the county road supervisor to have the only unmarked county road vehicle. The truck delivering the compost out of county is also an unmarked road department vehicle. All of the above procedures are still in tack as of this report. We had found and corrected purchase orders that were charging compost work to the road department accounts. This problem may have been going on for a very long time.

5

Finding #6, The Clark County Fiscal Court did not prepare an accurate schedule of expenditures of federal awards in a timely manner and failed to remit the SEFA to the department of local government.

This problem came about due to newly elected officials in the fiscal court and county government. A 67% employee turnover in the county employees and the fiscal court cutting the judge executive budget so low, made it very difficult to hire qualified personnel. The county does not have any employees with institutional knowledge to perform the duties of the fiscal court. This situation is better now that new employees have partially learned their jobs.

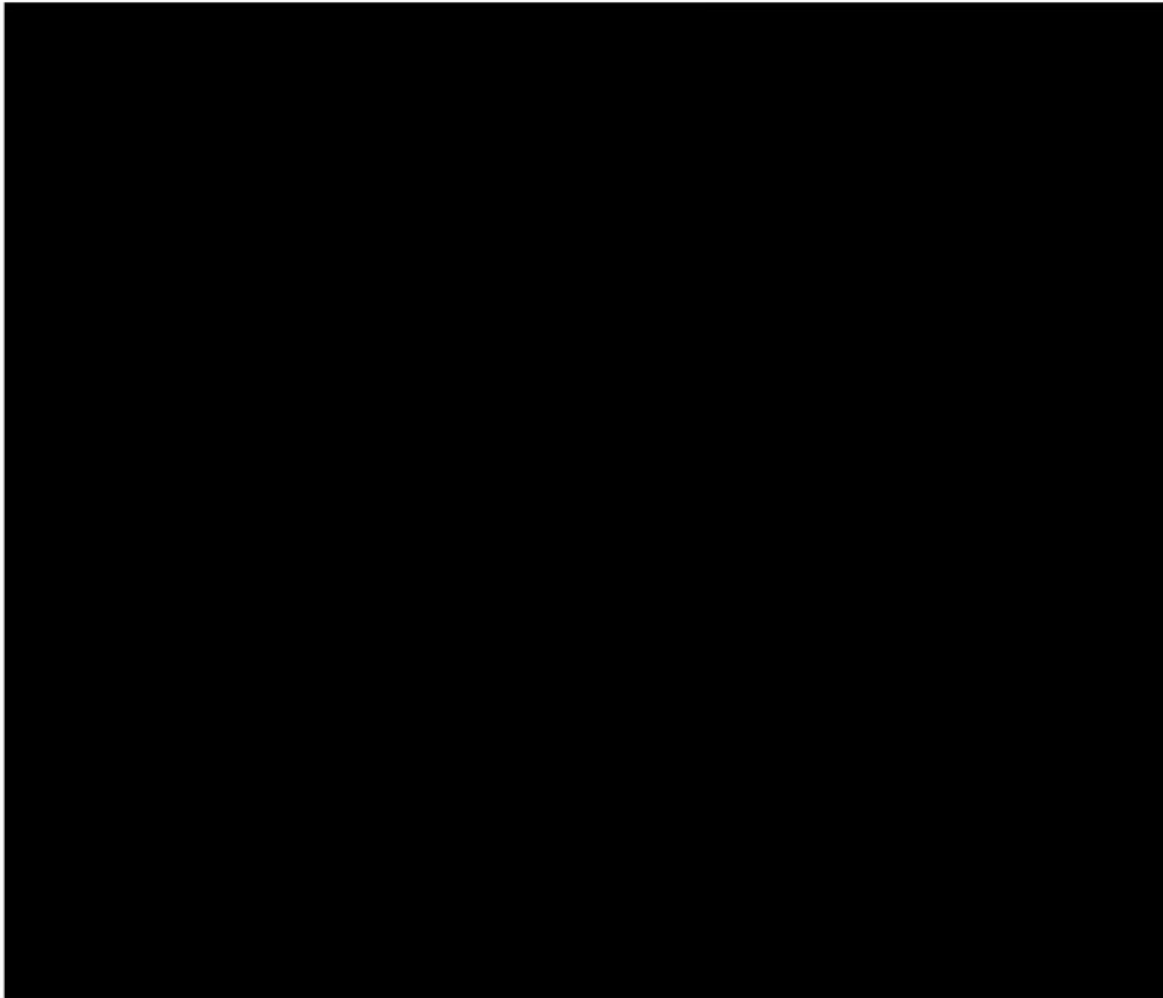
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[REDACTED]

[REDACTED]

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[REDACTED]




Les Yates
Clark County Judge/Executive

Auditor's Note: Responses redacted are related to control deficiencies identified and were not required to be in the audit report.

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

CLARK COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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.

A handwritten signature in black ink, appearing to read "Des Yates", is written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Mary McKeel", is written over a horizontal line.

County Treasurer