

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

**For The Year Ended  
June 30, 2024**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



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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 Tommy Harmon, Clay County Judge/Executive  
Members of the Clay 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 Clay County Fiscal Court, for the year ended June 30, 2024, and the related notes to the financial statement, which collectively comprise the Clay 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 Clay County Fiscal Court, for the year ended June 30, 2024, 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 Clay County Fiscal Court, for the year ended June 30, 2024, 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 the Clay 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 Tommy Harmon, Clay County Judge/Executive  
 Members of the Clay County Fiscal Court

### ***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 Clay 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***

Clay 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clay County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***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 Clay County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Tommy Harmon, Clay County Judge/Executive  
 Members of the Clay County Fiscal Court

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

- 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 Clay County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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 Clay 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.

To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Tommy Harmon, Clay County Judge/Executive  
 Members of the Clay County Fiscal Court

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2025, on our consideration of the Clay 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 Clay 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:

- 2024-001 The Clay County Fiscal Court Did Not Accurately Report Financial Information
- 2024-002 The Clay County Fiscal Court's Actual Disbursements Exceeded Budgeted Appropriations
- 2024-003 The Clay County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated
- 2024-004 The Clay County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts
- 2024-005 The Clay County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Occupational Tax Receipts
- 2024-006 The Clay County Fiscal Court's Internal Controls Over Receipts Were Not Operating Effectively
- 2024-007 The Kentucky Infrastructure Authority Debt Payments Were Not Paid As Required By The Debt Agreement
- 2024-008 The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly
- 2024-009 The Clay County Fiscal Court Did Not Properly Remit Local And State Tax Payments
- 2024-010 The Clay County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements
- 2024-011 The Clay County Fiscal Court Did Not Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits
- 2024-012 The Clay County Fiscal Court Does Not Have Adequate Procedures For Reporting County Liabilities

Respectfully submitted,



Allison Ball  
 Auditor of Public Accounts  
 Frankfort, Ky

March 20, 2025



**CLAY COUNTY OFFICIALS**  
**For The Year Ended June 30, 2024**

**Fiscal Court Members:**

Tommy Harmon	County Judge/Executive
Russell Smith	Magistrate
Sonya Gray	Magistrate
Sonny Gay	Magistrate
Christopher Smith	Magistrate
Jerry Combs	Magistrate
William Warren	Magistrate

**Other Elected Officials:**

Joseph C. White	County Attorney
Linda Smallwood	Jailer
Beverly Craft	County Clerk
Leslie Phillips	Circuit Court Clerk
Patrick Robinson	Sheriff
Paul Durham	Property Valuation Administrator
Joe Crockett	Coroner

**Appointed Personnel:**

Kelly Smith	County Treasurer
Vickie Nicholson	Financial Officer

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

**For The Year Ended June 30, 2024**

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

**For The Year Ended June 30, 2024**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 659,846	\$	\$	\$
In Lieu Tax Payments	199,560	181,553		
Excess Fees	89,267			
Licenses and Permits	244			
Intergovernmental	647,761	7,258,113	3,016,985	431,201
Charges for Services	2,173,479		31,664	
Miscellaneous	1,363,499		231,205	
Interest	4,842	104,545	2,266	1,883
Total Receipts	<u>5,138,498</u>	<u>7,544,211</u>	<u>3,282,120</u>	<u>433,084</u>
<b>DISBURSEMENTS</b>				
General Government	2,198,096	831		
Protection to Persons and Property	346,835		2,727,601	45,000
General Health and Sanitation				
Recreation and Culture	93,633			
Roads	658,508	7,154,011		328,927
Debt Service				
Administration	2,146,861	598,384	683,090	
Total Disbursements	<u>5,443,933</u>	<u>7,753,226</u>	<u>3,410,691</u>	<u>373,927</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(305,435)</u>	<u>(209,015)</u>	<u>(128,571)</u>	<u>59,157</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			80,000	
Transfers To Other Funds	<u>(280,000)</u>			
Total Other Adjustments to Cash (Uses)	<u>(280,000)</u>		<u>80,000</u>	
Net Change in Fund Balance	(585,435)	(209,015)	(48,571)	59,157
Fund Balance - Beginning (Restated)	<u>2,518,751</u>	<u>1,910,458</u>	<u>171,188</u>	<u>775,551</u>
Fund Balance - Ending	<u>\$ 1,933,316</u>	<u>\$ 1,701,443</u>	<u>\$ 122,617</u>	<u>\$ 834,708</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,127,048	\$ 1,715,867	\$ 168,045	\$ 834,708
Plus: Deposits In Transit				
Less: Outstanding Checks	(193,732)	(14,424)	(45,428)	
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 1,933,316</u>	<u>\$ 1,701,443</u>	<u>\$ 122,617</u>	<u>\$ 834,708</u>

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

**CLAY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

Budgeted Funds					Unbudgeted Funds	
Federal Grant Fund	Forest Fire Fund	Occupational Tax Fund	Special Reserve Fund	North Manchester Water Debt Fund	Document Storage Fee Fund	Special Water Line Extension Fund
\$	\$ 2,887	\$ 2,148,290	\$	\$	\$	\$
				7,000		
		8,196			8,083	
		448	9,293			
	2,887	2,156,934	9,293	7,000	8,083	
		1,687,926				
		175,628				7,391
				14,000		
		555,345			7,407	
		2,418,899		14,000	7,407	7,391
	2,887	(261,965)	9,293	(7,000)	676	(7,391)
		200,000				
		200,000				
	2,887	(61,965)	9,293	(7,000)	676	(7,391)
	280	116,151	527,231	7,000	1,497	13,280
\$ 0	\$ 3,167	\$ 54,186	\$ 536,524	\$ 0	\$ 2,173	\$ 5,889
\$	\$ 3,167	\$ 102,309	\$	\$ 7,000	\$ 2,173	\$ 5,889
		(48,123)		(7,000)		
			536,524			
\$ 0	\$ 3,167	\$ 54,186	\$ 536,524	\$ 0	\$ 2,173	\$ 5,889

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

**CLAY COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<b>Unbudgeted Funds</b>			
	<b>Clay County</b>			
	<b>Kentucky</b>			
	<b>Opioi</b>	<b>Justice Center</b>	<b>Jail</b>	<b>Total</b>
	<b>Fund</b>	<b>Corporation</b>	<b>Commissary</b>	<b>Funds</b>
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Funds</b>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 2,811,023
In Lieu Tax Payments				381,113
Excess Fees				89,267
Licenses and Permits				244
Intergovernmental		589,250		11,943,310
Charges for Services				2,212,143
Miscellaneous			771,181	2,382,164
Interest				123,277
Total Receipts		589,250	771,181	19,942,541
<b>DISBURSEMENTS</b>				
General Government				2,198,927
Protection to Persons and Property				4,807,362
General Health and Sanitation				183,019
Recreation and Culture			720,013	813,646
Roads				8,141,446
Debt Service		587,250		601,250
Administration	180,880	5,319		4,177,286
Total Disbursements	180,880	592,569	720,013	20,922,936
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	(180,880)	(3,319)	51,168	(980,395)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				280,000
Transfers To Other Funds				(280,000)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(180,880)	(3,319)	51,168	(980,395)
Fund Balance - Beginning (Restated)	181,038	3,319	396,998	6,622,742
Fund Balance - Ending	\$ 158	\$ 0	\$ 448,166	\$ 5,642,347
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 158	\$	\$ 490,059	\$ 5,456,423
Plus: Deposits In Transit			1,534	1,534
Less: Outstanding Checks			(43,427)	(352,134)
Certificates of Deposit				536,524
Fund Balance - Ending	\$ 158	\$ 0	\$ 448,166	\$ 5,642,347

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

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TO THE FINANCIAL STATEMENT**

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**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2024**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Clay County includes all budgeted and unbudgeted funds under the control of the Clay 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.

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.



**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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.

Federal Grant Fund - The primary purpose of this fund is to account for funds received and expended for any federal grants.

Forest Fire Fund - The primary purpose of this fund is to account for funds received and expended for the prevention of forest fires.

Occupational Tax Fund - The primary purpose of this fund is to account for the collection of occupational taxes. The primary sources of receipts for this fund are occupational employment tax and net profit tax.

Special Reserve Fund - The primary purpose of this fund is to account for investment earnings on a certificate of deposit.

North Manchester Debt Service Fund - The primary purpose of this fund is to account for debt payments to the Kentucky Infrastructure Authority. The primary sources of receipts for this fund are payments from the North Manchester Water Association.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Document Storage Fee Fund - The purpose of this fund is to account for county clerk storage fees for the retention of deed room records in the county clerk's office. The primary source of receipts for this fund is collection of the storage fee collected by the county clerk on deed room transactions.

Special Water Line Extension Fund - The primary purpose of this fund is to account for grant revenues and disbursements related to the construction of water lines in conjunction with the city of Manchester, Kentucky.

Opioid Fund - The purpose of this fund is to account for the county supporting opioid addiction treatment and recovery services. The primary source of receipts for this fund are from national settlements with pharmaceutical distributors that played a role in creating and fueling the opioid epidemic.

Clay County Kentucky Justice Center Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(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.

The state local finance officer does not require the Clay County Kentucky Justice Center Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Clay County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Clay 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 Clay 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).

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(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**

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.

**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*. On June 30, 2024, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$2,380,041

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2024.

	General Fund	Total Transfers In
Jail Fund	\$ 80,000	\$ 80,000
Occupational Tax Fund	200,000	200,000
Total Transfers Out	<u>\$ 280,000</u>	<u>\$ 280,000</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.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(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, 2024 was \$14,919.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Kentucky Infrastructure Authority (KIA) Loan**

In 1996, the Clay County Fiscal Court obtained a water resource loan of \$997,484 (plus interest) from the Kentucky Infrastructure Authority (KIA) on behalf of the North Manchester Water Association (NMWA). As part of the KIA loan agreement, the Clay County Fiscal Court executed a lease agreement with the NMWA over the same 30-year term as the loan agreement with KIA.

During the fiscal year ending June 30, 2023, the North Manchester Water Association remitted total payments of \$14,000 to the fiscal court and the county paid \$7,000 towards the KIA loan. The payment schedule required 12 monthly payments of \$12,582, totaling \$150,984, to be made the first of each month. At the end of the term of the lease, the county will convey title of the assets to the North Manchester Water Association. In the event of default, the loan agency shall bear interest per annum equal to the default rate as set forth in the project specifics. Whenever any event of default has occurred, KIA may demand one or any combination of the following: (a) all payments due immediately, (b) exercise all rights and remedies of the KIA, (c) take whatever action at law or in equity that may appear necessary. As of June 30, 2024, the principal balance is \$864,483. Future lease principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019-2024 Loan Default	\$ 571,605	\$ 63,524
2025	144,282	7,154
2026	148,596	2,546
Totals	<u>\$ 864,483</u>	<u>\$ 73,224</u>

**B. Other Debt**

**1. Clay County Kentucky Justice Center Corporation First Revenue Refunding Bonds, Series 2012**

On November 1, 2012, the Clay County Kentucky Justice Center Corporation consolidated an advance refunded Justice Center Bonds 2003 and KADD Leases - Justice Center. The principal amounts at the time of refunding were \$4,860,000 and \$450,000, respectively. The original debt was issued to construct the Clay County Justice Center. Total bond proceeds were \$5,415,000 with \$114,597 in reoffering premium, and \$3,148 of accrued interest. Distribution of funds was \$5,413,708 paid in advance escrow, \$115,889 in bond issuance cost, and \$3,148 accrued interest deposited to the sinking fund.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

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

**B. Other Debt (Continued)**

**1. Clay County Kentucky Justice Center Corporation First Revenue Refunding Bonds, Series 2012 (Continued)**

On the same day of the original bond issue, the Clay County Kentucky Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for the AOC at the Clay County Justice Center. The financing plan for the project is below.

The Clay County Fiscal Court (the county) and the Clay County Kentucky Justice Center Corporation are acting as agents for the AOC to plan, design, construct, manage, and maintain the Clay County Justice Center. The Clay County Kentucky Justice Center Corporation and the county expect annual rentals for the use of the building to be in the amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable on July 1 of each year for another biennial period of two years. The county and the Clay County Kentucky Justice Center Corporation are dependent upon the use allowance payment to meet the debt service for the bonds. The use allowance payment commenced with occupancy of the Justice Center Building by AOC. AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until November 1, 2023, but the lease does not legally obligate AOC to do so.

The fiscal court made the final payment of \$580,000 during November 2023. This debt was retired as of June 30, 2024.

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

Long-term Debt activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and					
Direct Placements	\$ 871,483	\$	\$ 7,000	\$ 864,483	\$ 715,887
Revenue Bonds	580,000		580,000		
Total Long-term Debt	<u>\$ 1,451,483</u>	<u>\$ 0</u>	<u>\$ 587,000</u>	<u>\$ 864,483</u>	<u>\$ 715,887</u>

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

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

**D. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations at June 30, 2024, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2019-2024 Loan Default	\$ 571,605	\$ 63,524
2025	144,282	7,154
2026	148,596	2,546
Totals	<u>\$ 864,483</u>	<u>\$ 73,224</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.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). 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 Kentucky Retirement Systems (Ky. Ret. Sys.).

The CERS nine-member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$1,263,266, FY 2023 was \$1,198,729, and FY 2024 was \$1,277,943.

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 CERS insurance fund.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

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

Nonhazardous (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own 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 CERS Board of Trustees 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 23.34%.

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:

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

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

Benefits are covered under KRS 78.5536.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

**B. 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.

**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, CERS 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.

**F. Annual Financial Report and Proportionate Share Audit Report**

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

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.



**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 8. Deferred Compensation**

The Clay 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. Health Reimbursement Account/Flexible Spending Account**

The Clay County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$2,000 each year to pay for qualified medical expenses.

**Note 10. Self-Insurance Plan**

The Clay County Fiscal Court implemented a self-insurance plan which utilized a third-party administrator to process claims. Under the plan, the fiscal court pays the cost of a single employee plan for all county employees and collects employee premiums for additional covered family members. The fiscal court then pays health insurance claims on a pay-as-you-go basis. The fiscal court uses a clearing account to deposit the premiums collected and to pay the fees and claims to the administrator. The unreconciled balance in the health insurance clearing account was \$25,566 on June 30, 2024.

**Note 11. Insurance**

For the fiscal year ended June 30, 2024, the Clay 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.

**Note 12. Related Party Transaction**

The son-in-law of the county jailer was paid to instruct educational classes to inmates at the county jail. During the fiscal year ending June 30, 2024, the jail commissary paid the individual \$23,700.

**CLAY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2024**  
**(Continued)**

**Note 13. Payroll and Retirement Revolving Accounts**

The county maintains a payroll revolving account to pay payroll wages and expenses from. The unreconciled balance of the payroll revolving account as of June 30, 2024, was \$106,309. The county also maintains a retirement account that was previously used to make retirement payments however it was not used during the fiscal year, but still has a balance as of June 30, 2024, of \$9,186.

**Note 14. Prior Period Adjustments**

The beginning balance of the General Fund was restated by (\$49,243) by not including the balance from the payroll account since the county had unpaid payroll expenses.

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

**For The Year Ended June 30, 2024**

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

**For The Year Ended June 30, 2024**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 622,000	\$ 622,000	\$ 659,846	\$ 37,846
In Lieu Tax Payments	1,230	1,230	199,560	198,330
Excess Fees	124,000	124,000	89,267	(34,733)
Licenses and Permits	20,300	20,300	244	(20,056)
Intergovernmental	634,155	634,155	647,761	13,606
Charges for Services	1,200,100	1,200,100	2,173,479	973,379
Miscellaneous	123,700	123,700	1,363,499	1,239,799
Interest	500	500	4,842	4,342
Total Receipts	<u>2,725,985</u>	<u>2,725,985</u>	<u>5,138,498</u>	<u>2,412,513</u>
<b>DISBURSEMENTS</b>				
General Government	1,477,278	1,627,839	2,198,096	(570,257)
Protection to Persons and Property	3,000	4,113	346,835	(342,722)
Recreation and Culture	143,500	93,633	93,633	
Roads		440,000	658,508	(218,508)
Administration	1,697,414	1,155,607	2,146,861	(991,254)
Total Disbursements	<u>3,321,192</u>	<u>3,321,192</u>	<u>5,443,933</u>	<u>(2,122,741)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(595,207)</u>	<u>(595,207)</u>	<u>(305,435)</u>	<u>289,772</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	145,208	145,208		(145,208)
Transfers To Other Funds			(280,000)	(280,000)
Total Other Adjustments to Cash (Uses)	<u>145,208</u>	<u>145,208</u>	<u>(280,000)</u>	<u>(425,208)</u>
Net Change in Fund Balance	(449,999)	(449,999)	(585,435)	(135,436)
Fund Balance - Beginning (Restated)	<u>450,000</u>	<u>450,000</u>	<u>2,518,751</u>	<u>2,068,751</u>
Fund Balance - Ending	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1,933,316</u>	<u>\$ 1,933,315</u>

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 50,000	\$ 50,000	\$ 181,553	\$ 131,553
Intergovernmental	2,746,268	2,746,268	7,258,113	4,511,845
Interest	1,000	1,000	104,545	103,545
Total Receipts	<u>2,797,268</u>	<u>2,797,268</u>	<u>7,544,211</u>	<u>4,746,943</u>
<b>DISBURSEMENTS</b>				
General Government	21,600	831	831	
Roads	2,026,400	2,936,071	7,154,011	(4,217,940)
Capital Projects	817,000			
Administration	611,406	539,504	598,384	(58,880)
Total Disbursements	<u>3,476,406</u>	<u>3,476,406</u>	<u>7,753,226</u>	<u>(4,276,820)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(679,138)</u>	<u>(679,138)</u>	<u>(209,015)</u>	<u>470,123</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(145,208)</u>	<u>(145,208)</u>		<u>145,208</u>
Total Other Adjustments to Cash (Uses)	<u>(145,208)</u>	<u>(145,208)</u>		<u>145,208</u>
Net Change in Fund Balance	(824,346)	(824,346)	(209,015)	615,331
Fund Balance - Beginning	<u>824,346</u>	<u>824,346</u>	<u>1,910,458</u>	<u>1,086,112</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,701,443</u>	<u>\$ 1,701,443</u>

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 3,032,503	\$ 3,032,503	\$ 3,016,985	\$ (15,518)
Charges for Services	40,000	40,000	31,664	(8,336)
Miscellaneous	316,365	316,365	231,205	(85,160)
Interest	300	300	2,266	1,966
Total Receipts	3,389,168	3,389,168	3,282,120	(107,048)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,668,368	2,739,775	2,727,601	12,174
Administration	720,800	649,393	683,090	(33,697)
Total Disbursements	3,389,168	3,389,168	3,410,691	(21,523)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(128,571)	(128,571)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			80,000	80,000
Total Other Adjustments to Cash (Uses)			80,000	80,000
Net Change in Fund Balance			(48,571)	(48,571)
Fund Balance - Beginning			171,188	171,188
Fund Balance - Ending	\$ 0	\$ 0	\$ 122,617	\$ 122,617

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 100	\$ 100	\$	\$ (100)
Intergovernmental	462,000	462,000	431,201	(30,799)
Interest	400	400	1,883	1,483
Total Receipts	462,500	462,500	433,084	(29,416)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	62,000	62,000	45,000	17,000
Roads	80,000	378,927	328,927	50,000
Capital Projects	362,000	63,073		63,073
Administration	158,500	158,500		158,500
Total Disbursements	662,500	662,500	373,927	288,573
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(200,000)	(200,000)	59,157	259,157
Net Change in Fund Balance	(200,000)	(200,000)	59,157	259,157
Fund Balance - Beginning	200,000	200,000	775,551	575,551
Fund Balance - Ending	\$ 0	\$ 0	\$ 834,708	\$ 834,708



**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Intergovernmental	\$ 300,000	\$ 300,000	\$ (300,000)
Total Receipts	300,000	300,000	(300,000)
<b>DISBURSEMENTS</b>			
Social Services	300,000	300,000	300,000
Total Disbursements	300,000	300,000	300,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			
Net Change in Fund Balance			
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>FOREST FIRE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 5,000	\$ 5,000	\$ 2,887	\$ (2,113)
Total Receipts	5,000	5,000	2,887	(2,113)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,000	5,000		5,000
Total Disbursements	5,000	5,000		5,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			2,887	2,887
Net Change in Fund Balance			2,887	2,887
Fund Balance - Beginning			280	280
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,167	\$ 3,167

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>OCCUPATIONAL TAX FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,875,520	\$ 1,875,520	\$ 2,148,290	\$ 272,770
Miscellaneous	200	200	8,196	7,996
Interest	1,000	1,000	448	(552)
Total Receipts	1,876,720	1,876,720	2,156,934	280,214
<b>DISBURSEMENTS</b>				
General Government	2,500			
Protection to Persons and Property	1,304,500	1,432,090	1,687,926	(255,836)
General Health and Sanitation	153,320	91,016	175,628	(84,612)
Social Services	8,000			
Administration	558,400	503,614	555,345	(51,731)
Total Disbursements	2,026,720	2,026,720	2,418,899	(392,179)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(150,000)	(150,000)	(261,965)	(111,965)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			200,000	200,000
Total Other Adjustments to Cash (Uses)			200,000	200,000
Net Change in Fund Balance	(150,000)	(150,000)	(61,965)	88,035
Fund Balance - Beginning	150,000	150,000	116,151	(33,849)
Fund Balance - Ending	\$ 0	\$ 0	\$ 54,186	\$ 54,186

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>SPECIAL RESERVE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 9,293	\$ 9,293
Total Receipts			9,293	9,293
<b>DISBURSEMENTS</b>				
Administration	521,726	521,726		521,726
Total Disbursements	521,726	521,726		521,726
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(521,726)	(521,726)	9,293	531,019
Net Change in Fund Balance	(521,726)	(521,726)	9,293	531,019
Fund Balance - Beginning	521,726	521,726	527,231	5,505
Fund Balance - Ending	\$ 0	\$ 0	\$ 536,524	\$ 536,524

**CLAY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2024**  
**(Continued)**

<b>NORTH MANCHESTER WATER DEBT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 127,686	\$ 127,686	\$ 7,000	\$ (120,686)
Total Receipts	127,686	127,686	7,000	(120,686)
<b>DISBURSEMENTS</b>				
Debt Service	127,686	127,686	14,000	113,686
Total Disbursements	127,686	127,686	14,000	113,686
Net Change in Fund Balance			(7,000)	(7,000)
Fund Balance - Beginning			7,000	7,000
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

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

**June 30, 2024**

**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. Excess of Disbursements Over Appropriations**

The General Fund, general government line-item exceeded budgeted appropriations by \$570,257.

The General Fund, protection to persons and property line-item exceeded budgeted appropriations by \$342,722.

The General Fund, roads line-item exceeded budgeted appropriations by \$218,508.

The General Fund, administration line-item exceeded budgeted appropriations by \$991,254.

The Road Fund, roads line-item exceeded budgeted appropriations by \$4,217,940.

The Road Fund, administration line-item exceeded budgeted appropriations by \$58,880.

The Jail Fund, administration line-item exceeded budgeted appropriations by \$33,697.

The Occupational Tax Fund, protection to persons and property line-item exceeded budgeted appropriations by \$255,836.

The Occupational Tax Fund, general health and sanitation line-item exceeded budgeted appropriations by \$84,612.

The Occupational Tax Fund, administration line-item exceeded budgeted appropriations by \$51,731.

**CLAY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2024**

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**CLAY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2024**

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
<b><u>U. S. Department of Homeland Security</u></b>				
<i><b>Passed-Through Kentucky Emergency Management</b></i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	SC-095	\$	\$ 4,462,534
<b>Total U.S. Department of Homeland Security</b>				<u>4,462,534</u>
<b><u>U. S. Department of Agriculture</u></b>				
<i><b>Passed-Through Natural Resources Conservation Service</b></i>				
Emergency Watershed Protection Program	10.923	EWP 21-05-23-5076	\$	\$ 634,040
<b>Total U.S. Department of Agriculture</b>				<u>634,040</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 0</u>	<u>\$ 5,096,574</u>

The accompanying notes are an integral part of this schedule.

**CLAY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2024**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clay County, Kentucky under programs of the federal government for the year ended June 30, 2024. 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 Clay County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay 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**

Clay County has not adopted an indirect cost rate and has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CLAY COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

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**CLAY COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2024**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,066,727	\$	\$	\$ 1,066,727
Buildings	18,744,935			18,744,935
Vehicles and Equipment	5,325,681	448,834		5,774,515
Infrastructure	11,453,148			11,453,148
 Total Capital Assets	 \$ 36,590,491	 \$ 448,834	 \$ 0	 \$ 37,039,325

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

**June 30, 2024**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture, 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	\$ 50,000	10-20 years
Buildings and Building Improvements	\$ 50,000	25-40 years
Equipment	\$ 5,000	5-20 years
Vehicles	\$ 5,000	5-10 years
Infrastructure	\$ 50,000	5-50 years

**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 Tommy Harmon, Clay County Judge/Executive  
Members of the Clay 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 Clay County Fiscal Court for the fiscal year ended June 30, 2024, and the related notes to the financial statement which collectively comprise the Clay County Fiscal Court's financial statement and have issued our report thereon dated March 20, 2025.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clay 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 Clay County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clay 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 Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-008, 2024-009, 2024-010, and 2024-012 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 Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Clay 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 Questioned Costs as items 2024-001, 2024-002, 2024-003, 2024-004, 2024-006, 2024-007, 2024-008, 2024-009, 2024-010, 2024-011, and 2024-012.

**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

March 20, 2025

**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 Tommy Harmon, Clay County Judge/Executive  
Members of the Clay County Fiscal Court

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited the Clay 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 Clay County Fiscal Court's major federal programs for the year ended June 30, 2024. The Clay 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, the Clay 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, 2024.

*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 the Clay 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 Clay 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 Clay 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 Clay 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 Clay 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 Clay 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 Clay 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 Clay 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

March 20, 2025

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

**For The Year Ended June 30, 2024**

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

**For The Year Ended June 30, 2024**

**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? ☒ Yes ☐ No
- Are any significant deficiencies identified? ☐ Yes ☒ None Reported

Are any noncompliances material to financial statements noted? ☒ Yes ☐ No

***Federal Awards***

Internal control over major programs:

- Are any material weaknesses identified? ☐ Yes ☒ No
- Are any significant deficiencies identified? ☐ Yes ☒ 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)? ☐ Yes ☒ No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

**Section II: Financial Statement Findings**

**2024-001 The Clay County Fiscal Court Did Not Accurately Report Financial Information**

---

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The Clay County Fiscal Court failed to implement strong internal controls to ensure financial statements were completed properly. The following reporting issues were noted:

- The original budget for all fund receipts was understated on the quarterly financial report in the amount of \$1,943,086.
- The original budget for all fund disbursements was overstated on the quarterly financial report in the amount of \$221,126.
- The county treasurer failed to submit an annual treasurer's settlement to the fiscal court for the year ending June 30, 2024.
- The county treasurer failed to upload the fourth quarter report to the Department for Local Government (DLG) timely.
- The county failed to submit a financial report for the county clerk's storage fees to the Legislative Research Commission (LRC) as required by KRS 64.012.

The fiscal court failed to recognize the importance of strong internal controls over reporting financial information and instead relied on a single employee without sufficient oversight. Due to the lack of effective internal controls, the amounts reported on the quarterly financial report were materially misstated and did not agree with the approved budgeted and actual transaction amounts. This lack of oversight could result in undetected misappropriation of assets and resulted in inaccurate financial reporting to external agencies such as DLG and the fiscal court.

KRS 68.020(4) states the county treasurer, "shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county treasurer to "[p]repare a quarterly financial statement for the State Local Finance Officer." The manual provides a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, actual receipts, and disbursements and total available in each line item. In addition, the manual provides a chart of accounts and states, "[a]ll counties must use the account numbers from the chart of accounts."

KRS 68.030 states, "[e]ach settlement made by the county treasurer shall be approved by the fiscal court in open court, and shall, by order of the fiscal court, be recorded by the county clerk in a book kept for that purpose. The original shall be filed in the county clerk's office, and preserved as a record of the court. All statements, vouchers and other papers relating to the annual settlement shall be filed in the office of the county clerk, to be disposed of as the fiscal court directs."

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-001 The Clay County Fiscal Court Did Not Accurately Report Financial Information (Continued)

KRS 64.012(3)(b)(4) states, “[n]o later than July 1 of each year, each county fiscal court or legislative body of an urban-county government shall submit a report to the Legislative Research Commission detailing the receipts, expenditures, and any amounts remaining in the fund.” In addition, strong internal controls dictate that the clerk’s storage funds would be accounted for in a separate fund and bank account to easily determine the amount to be utilized by the county clerk.

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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the fiscal court strengthen internal controls to help ensure accurate financial reporting by complying with Kentucky statutes and the DLG’s *County Budget Preparation and State Local Finance Officer Policy Manual*.

Views of Responsible Official and Planned Corrective Action:

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

2024-002 The Clay County Fiscal Court’s Actual Disbursements Exceeded Budgeted Appropriations

This is a repeat finding and was included in the prior year audit report as finding 2023-002. The Clay County Fiscal Court lacked strong internal controls over the budget process. Fiscal courts are required to maintain expenditures within budgeted appropriations in all operating funds. The fiscal court exceeded the overall approved budget for the following funds:

- The General Fund budget was overspent in the amount of \$2,122,741.
- The Road Fund budget was overspent in the amount of \$4,276,820.
- The Jail Fund budget was overspent in the amount of \$21,523.
- The Occupational Tax Fund budget was overspent in the amount of \$392,179.
- The Document Storage Fee Fund was not budgeted for the fiscal year and had actual disbursements of \$7,407.
- The Special Water Line Extension Fund was not budgeted for the fiscal year and had actual disbursements of \$7,391.
- The Opioid Fund was not budgeted for the fiscal year and had actual disbursements of \$180,880.

The fiscal court failed to properly monitor budgeted expenditures of the county’s operating funds, as noted, and to submit budget amendments for approval, as necessary.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-002 The Clay County Fiscal Court's Actual Disbursements Exceeded Budgeted Appropriations (Continued)**

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A portion of expenditures of the Clay County Fiscal Court's General Fund, Road Fund, Jail Fund, and Occupational Tax Fund were made without sufficient budget appropriations. As a result of failing to budget the Document Storage Fee Fund and the Opioid Fund, the fiscal court was not in compliance with the uniform system of accounts as prescribed in the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

The DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*, which contains the uniform system of accounts, required by KRS 68.210, requires counties to submit quarterly reports to the DLG. These reports should include all funds of the fiscal court and all activity within the funds and should agree to the fiscal court's reconciled cash balances. The DLG requires all funds except for the Justice Center Corporation (JCC), jail commissary, and Trust Funds to be budgeted, and that all funds except for JCC, jail commissary, and Trust Funds be listed on the quarterly report.

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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Clay County Fiscal Court ensure all line items, as well as all funds, are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or budget amendments should be prepared and reported properly on the fourth quarterly report.

Views of Responsible Official and Planned Corrective Action:

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

**2024-003 The Clay County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated**

---

This is a repeat finding and was included in the prior year audit report as finding 2023-003. The Clay County Fiscal Court did not prepare a Schedule of Expenditures of Federal Awards (SEFA) that accurately reflects the county's expenditures of federal awards for fiscal year ending June 30, 2024. The county's SEFA was materially misstated, and the following adjustments were made:

- Federal Emergency Management Agency (FEMA) expenditures were overstated by \$316,139 when compared to the county's FEMA-related expenditure records.
- Natural Resources Conservation Service (NRCS) expenditures were understated by \$269,716 when compared to the county's NRCS-related expenditure records.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-003 The Clay County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated (Continued)**

---

Furthermore, the Clay County Fiscal Court's SEFA had the following errors::

- The federal Assistance Listing Number (ALN) was missing for the NRCS program.
- Federal Grantor Department and Program names were not listed correctly.
- Pass-through information was not included.

The Clay County Fiscal Court had three individuals involved in the SEFA preparation. The county grant writer and emergency management deputy director were responsible for providing supporting documentation for all federal programs with which the Clay County Fiscal Court was involved during fiscal year ending June 30, 2024. These employees supplied the supporting documentation to the county treasurer, who prepared the SEFA. The above errors were noted when comparing the county treasurer's SEFA to the supporting documentation. The county's SEFA was materially misstated and not an accurate representation of federal expenditures for the fiscal year ending June 30, 2024.

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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

Good internal controls dictate the fiscal court prepare an accurate SEFA and include total federal awards expended for each individual federal program. Completeness and accuracy are critical to the SEFA preparation. In addition, Uniform Guidance states that the auditee must prepare a SEFA for the period covered by the auditee's financial statements, which must include the total federal awards expended as determined by 2 CFR 200.502.

2 CFR 200.302(b)(1) states that auditee's financial management system must provide for, "[i]dentification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and the name of the pass-through entity, if any." This information enables the auditee to reconcile amounts presented in the financial statement to related amounts in the SEFA.

2 CFR 200.508 states, "[t]he auditee must: (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510."

2 CFR 200.510(b) states, in part, "Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502."

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-003 The Clay County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated (Continued)

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We recommend the Clay County Fiscal Court develop policies and procedures for SEFA preparation, as well as strengthen internal controls over the preparation to ensure its completeness, accuracy, and compliance with reporting compliance requirements.

Views of Responsible Official and Planned Corrective Action:

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

2024-004 The Clay County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts

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This is a repeat finding and was included in the prior year audit report as finding 2023-004. The Clay County Fiscal Court did not prepare bank reconciliations for the following revolving accounts: a payroll account for employee deductions for federal, social security, state taxes, and retirement; a health insurance account to pay for employee medical expenses; and a previously used retirement account for employee retirement deductions, which did not have any activity during the year. The fiscal court's revolving accounts are designed to be used as a clearing bank account for payroll processing and should reconcile to zero every month. Since bank reconciliations were not provided, the accuracy of the cash balances of these accounts as of June 30, 2024, could not be verified, and the following issues were noted:

- The Payroll Revolving Account had an unreconciled balance as of June 30, 2024, of \$106,309. As determined during the audit, the county had unpaid liabilities for taxes and retirement at the end of the fiscal year. As a result, a reconciled balance could not be determined.
- The Payroll Revolving Account was charged \$288 for overdraft charges.
- The Health Insurance Revolving Account had an unreconciled balance as of June 30, 2024, of \$25,566 and had been charged \$569 for overdraft charges as of June 30, 2024.
- The Retirement Revolving Account had a surplus balance of \$9,186 as of June 30, 2024, that could not be identified.

The county treasurer did not prepare accurate bank reconciliations for the fiscal court revolving accounts. Also, the fiscal court did not establish relevant review procedures to determine if the county treasurer was preparing bank reconciliations monthly for the revolving accounts.

The county has surplus funds in these revolving accounts that could be used for other purposes. By not completing a correct reconciliation for all outstanding receivables and outstanding liabilities, the county also had a deficit balance in the accounts and incurred overdraft charges. Funds were also maintained in the accounts that should have been used to pay overdue state and occupational taxes.

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 DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires officials handling public funds to prepare monthly bank reconciliations.



**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-004 The Clay County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts  
 (Continued)

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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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Strong internal controls over the bank reconciliations for revolving accounts should be implemented to ensure the balance each month of the payroll, retirement, and health insurance revolving accounts should reconcile to zero for the month, and that all amounts due for Kentucky state tax, health insurance premiums, and retirement amounts are paid timely from these accounts.

We recommend the fiscal court establish procedures to prepare and review bank reconciliations for the payroll, health insurance, and retirement revolving accounts. Also, the fiscal court should implement oversight procedures to review the bank reconciliations and financial reports prepared by the county treasurer. The review should be conducted by an independent employee to verify accuracy and completeness.

Views of Responsible Official and Planned Corrective Action:

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

2024-005 The Clay County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Occupational Tax Receipts

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This is a repeat finding and was included in the prior year audit report as finding 2023-005. The Clay County Fiscal Court does not have adequate segregation of duties over occupational tax receipts. The tax administrator opens the mail, matches the checks to the occupational tax bill, stamps the checks for deposit only, makes a list of checks, and totals the checks for deposit. The occupational tax clerk prepares and sends out occupational tax bills, makes copies of the checks, posts receipts to the tax manager program, and compares the deposits to the receipt list and the report produced by the tax manager program. The deposit is taken to the bank by the occupational tax clerk or the tax administrator. The original deposit slip is attached to the receipt deposit report, which is maintained at the occupational tax office. The county treasurer posts receipts to the receipts ledger monthly from the occupational tax bank statement and prepares bank reconciliations. No documented review of the receipt process was noted.

The county has an off-site occupational tax administrator that bills and collects occupational tax receipts with a limited number of employees. In addition, occupational tax information is restricted and can only be accessed by authorized personnel. This along with a limited budget places restrictions on the number of employees the fiscal court can hire. When faced with a limited number of staff, strong compensating controls should have been implemented to offset the lack of segregation of duties.

The lack of oversight could result in undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-005 The Clay County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Occupational Tax Receipts (Continued)**

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KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual*, which dictates that, "the county treasurer is the sole officer bonded to receive and disburse county funds and could be liable on the county treasurer's bond if correct records are not maintained and the procedures are not followed as required by law." Without adequate support for occupational tax funds received, it is impossible for the treasurer to determine if the amount being deposited to the general fund is complete or accurate.

To adequately protect against undetected misappropriation of assets and inaccurate financial reporting, we recommend the fiscal court separate the duties involving mailing of the bills, opening mail, preparing the receipt list, collecting and depositing receipts, and preparing deposits. If this is not feasible due to a limited budget, strong oversight over these areas could occur and involve an employee who is not currently performing any of those functions, and this oversight should be documented by dating and signing or initialing the documentation.

Views of Responsible Official and Planned Corrective Action:

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

**2024-006 The Clay County Fiscal Court's Internal Controls Over Receipts Were Not Operating Effectively**

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This is a repeat finding and was included in the prior year audit report as finding 2023-006. The Clay County Fiscal Court's controls over receipts were not operating effectively. The following issues were noted:

- Receipts were not deposited timely.
- Several state payment receipts were not posted to ledgers with accuracy or a consistent methodology.
- The final payment received for the AOC building, totaling \$78,912, was traced to the bank statement, but it could not be determined where this was posted on the ledger.
- Opioid funds totaling \$294,928 were posted to the General Fund account ledgers and should have been posted in the Opioid Fund.
- Telecom tax payments of \$10,066 received from the Kentucky Department of Revenue were posted with ambulance service receipts.
- Multiple receipts from the county clerk were not posted consistently to the correct accounts on the treasurer's receipts ledger.

Poor internal controls and a lack of oversight of receipts caused the issues above. Due to the lack of effective controls, the fiscal court's quarterly financial reports did not present a precise and consistent representation of receipts collected.

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 lack of oversight over financial reporting is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-006    The Clay County Fiscal Court's Internal Controls Over Receipts Were Not Operating Effectively  
 (Continued)

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KRS 68.020(4) states the county treasurer, "shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

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 (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the county treasurer to, "[p]repare a quarterly financial statement for the State Local Finance Officer." The manual provides a format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, actual receipts, and disbursements and total available in each line item. In addition, the manual provides a chart of accounts and states, "[a]ll counties must use the account numbers from the chart of accounts."

We recommend the fiscal court strengthen controls to help ensure accurate financial reporting by complying with the Kentucky statutes and the DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* by making daily deposits, maintaining daily deposit records, and ensuring accurate posting to the receipts ledger.

Views of Responsible Official and Planned Corrective Action:

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

2024-007    The Kentucky Infrastructure Authority Debt Payments Were Not Paid As Required By The Debt Agreement

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This is a repeat finding and was included in the prior year audit report as finding 2023-007. The Kentucky Infrastructure Authority (KIA) debt payments were not made in accordance with the debt schedule as required by the agreement with KIA. The schedule requires 12 monthly payments of \$12,582 plus varying monthly servicing fees to be made on the first of each month. A payment of \$7,000 was made in May 2024 and applied to the prior year's principal balance. The amortization schedule required total payments of \$151,720, which was comprised of principal payments of \$140,093 and interest payments of \$10,889. In addition, servicing fees of \$738 were required to be paid. The total past due principal balance is \$571,605, and the total past due interest is \$63,524 as of June 30, 2024, based upon county records.

The Clay County Fiscal Court entered into the debt agreement with KIA to obtain funding for waterlines on behalf of North Manchester Water Association. The fiscal court further entered into a lease agreement with North Manchester Water Association, where they would make lease payments equaling the debt service payments directly to KIA. North Manchester made payments up through January 2018 but then failed to make the required monthly payments. The Clay County Fiscal Court now requires North Manchester Water Association to pay payments to the fiscal court, and the fiscal court, in turn, make the payments to KIA. However, the county is not receiving the payments from North Manchester in accordance with the amortization schedule; therefore, the proper payment amount is not being submitted to KIA by the fiscal court.

The county is in default on the debt agreement with KIA by not ensuring proper debt payments were made in accordance with their agreement. The loan agreement the county entered into with KIA requires monthly loan payments to be made on the first of each month in accordance with the debt amortization schedule.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-007 The Kentucky Infrastructure Authority Debt Payments Were Not Paid As Required By The Debt Agreement (Continued)**

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We recommend the Clay County Fiscal Court comply with the terms of the KIA agreement by making all required debt payments in the future. We further recommend the fiscal court contact KIA to become compliant with the terms of the agreement regarding unpaid principal and interest payments. If the original agreement is amended, a new written agreement should be entered into outlining the responsibilities and required payments of all parties. The county should consult with the county attorney for legal guidance on this issue.

Views of Responsible Official and Planned Corrective Action:

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

**2024-008 The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly**

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This is a repeat finding and was included in the prior year audit report as finding 2023-008. The Clay County Fiscal Court did not properly pay the County Employees Retirement System (CERS) for retirement contributions and submitted inaccurate retirement reports for employees during fiscal year ending June 30, 2024. The following was noted during a review of payroll records, retirement reports, and bank statements:

- Retirement contributions for the months of July 2023 through May 2024 were paid late:
  - July 2023 contributions totaling \$118,582 were paid on October 26, 2023.
  - August 2023 through January 2024 contributions totaling \$668,622.79 were paid on March 13, 2024.
  - February 2024 through May 2024 contributions, totaling \$490,738, were paid on July 19, 2024.
- Retirement contributions reported for July 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$422,558, but the total gross wages for retirement according to the county's payroll records was \$391,547, which is \$31,011 less than reported.
  - Sixty-nine employees had gross wages reported to CERS as retirement wages that did not agree with the actual gross wages per the county's payroll reports.
  - Ten employees were reported to CERS with gross wages of \$15,942, but these employees were not listed on the county's payroll reports as earning any gross wages for retirement.
  - Seventeen employees with gross wages, totaling \$33,750, per county's payroll records were not listed on retirement reports submitted to CERS.
- Retirement contributions reported for August 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$398,750, but the total gross wages for retirement according to the county's payroll records was \$403,339, which is \$4,589 more than reported.
  - Twelve employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Eleven employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$18,870.
  - Twelve employees with gross wages totaling \$23,553 per county's payroll records were not listed on CERS retirement reports.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-008 The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly (Continued)**

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- Retirement contributions reported for September 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$528,149, but the total gross wages for retirement according to the county's payroll records was \$554,320, which is \$26,171 more than reported.
  - Five employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Nine employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$12,737.
  - Sixteen employees with gross wages totaling \$38,711 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for October 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS were \$382,038, but the total gross wages for retirement according to the county's payroll records was \$415,847, which is \$33,809 more than reported.
  - Four employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Thirteen employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$27,266.
  - Thirty-four employees with gross wages totaling \$62,542.54 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for November 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS were \$333,721, but the total gross wages for retirement according to the county's payroll records was \$398,784, which is \$65,063 more than reported.
  - Five employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Five employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$11,300.
  - Forty-two employees with gross wages totaling \$77,385 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for December 2023 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$343,664, but total gross wages for retirement according to the county's payroll records was \$411,302, which is for a \$67,637 more than reported.
  - Four employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Ten employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$22,417.
  - Forty-three employees with gross wages totaling \$88,315 per county's payroll records were not listed on CERS retirement reports.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-008    The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly (Continued)

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- Retirement contributions reported for January 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$403,494, but the total gross wages for retirement according to the county's payroll records was \$392,858, which is \$10,636 less than reported.
  - Nineteen employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.  
Sixteen employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$48,517.
  - Twenty-three employees with gross wages totaling \$40,202 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for February 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$416,048, but the total gross wages for retirement according to the county's payroll records was \$415,542, which \$506 less than reported.
  - Thirteen employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Ten employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$18,756.
  - Fifteen employees with gross wages totaling \$20,269 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for March 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$478,672, but the total gross wages for retirement according to the county's payroll records was \$532,650, which \$53,979 more than reported.
  - Nine employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Three employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$11,316.
  - Thirty-one employees with gross wages totaling \$65,195 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for April 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$287,954, but the total gross wages for retirement according to the county's payroll records was \$420,995, which is \$133,041 more than reported.
  - Seventy-eight employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Nine employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$27,813.
  - Sixty-one employees with gross wages totaling \$172,156 per county's payroll records were not listed on CERS retirement reports.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-008 The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly (Continued)**

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- Retirement contributions reported for May 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$281,232, but the total gross wages for retirement according to the county's payroll records was \$400,451, which is \$119,219 more than reported.
  - Six employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Three employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$6,402.
  - Fifty-eight employees with gross wages totaling \$129,807 per county's payroll records were not listed on CERS retirement reports.
- Retirement contributions reported for June 2024 were inaccurate when compared to the county's payroll reports:
  - The total of gross wages for retirement reported to CERS was \$287,149, but the total gross wages for retirement according to the county's payroll records was \$434,814, which is \$147,664 more than reported.
  - Seventy-seven employees had gross wages reported to CERS for retirement that did not agree with the actual gross wages per the county's payroll reports.
  - Eight employees not listed on payroll reports were reported to CERS with retirement gross wages totaling \$29,168.
  - Sixty-five employees with gross wages totaling \$172,584 per county's payroll records were not listed on CERS retirement reports.

The fiscal court failed to implement controls to ensure that payroll liabilities for retirement are reported correctly to CERS and properly remitted to the appropriate parties. Instead, it relied on a single employee to report and remit the amounts due without sufficient oversight. In addition, as reported in finding 2024-004, the retirement and payroll bank accounts used to process retirement transactions were not properly reconciled to ensure all liabilities were paid timely.

As a result, retirement payments were not remitted in accordance with CERS guidelines. The lack of payments and improper reporting to the retirement system could result in the fiscal court being assessed penalty amounts and employee retirement accounts being misstated.

Strong internal controls over the payroll process are essential in ensuring that employee withholdings and employer contributions are properly reported and remitted to the appropriate taxing authorities and vendors.

In addition, KRS 78.625 states,“(2) The agency reporting official of the county shall file the following at the retirement office on or before the tenth day of the month following the period being reported: (a) The employee and employer contributions required under KRS 78.610 and 78.635; (b) The employer contributions and reimbursements for retiree health insurance premiums required under KRS 78.5540; and (c) A record of all contributions to the system on the forms prescribed by the systems. (3) (a) If the agency reporting official fails to file at the retirement office all contributions and reports on or before the tenth day of the month following the period being reported, interest on the delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars (\$1,000), may be added to the amount due the system.”

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

**2024-008 The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly (Continued)**

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We recommend the Clay County Fiscal Court implement internal controls over payroll liabilities for retirement contributions to ensure retirement reports submitted to CERS are correct based upon the county's payroll reports and payments to CERS for retirement are submitted timely. This finding will be referred to CERS.

Views of Responsible Official and Planned Corrective Action:

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

**2024-009 The Clay County Fiscal Court Did Not Properly Remit Local And State Tax Payments**

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This is a repeat finding and was included in the prior year audit report as finding 2023-009. The fiscal court did not remit payments monthly from July 2023 through June 2024 to the Clay County Occupational Tax Administrator for employee occupational tax withholdings totaling \$22,630. Furthermore, the fiscal court had not properly paid the Kentucky Department of Revenue (DOR) for state income tax withheld from employees and failed to submit bi-monthly tax returns consistently and accurately from July 2023 through January 14, 2024. From April 2024 through June 2024, returns were filed but not paid. A review of payroll records, tax reports, and bank statements noted the following:

- Thirteen bi-monthly returns were not filed or paid to the DOR for fiscal year 2024, totaling \$84,155.
- Penalties were paid to the DOR on February 26, 2024, in the amount of \$351, and on April 29, 2024, in the amount of \$7,075.
- \$26,498 was paid to the DOR on October 12, 2023; however, no returns were filed.
- \$171,928, including penalty and interest of \$6,946, was paid to the DOR on February 26, 2024, with a December 31, 2023 return. The payment included state tax employee withholdings for January 1, 2023 through December 31, 2023.
- Overpayment of approximately \$9,658 to the DOR for employee withholdings for state income taxes.

The fiscal court failed to implement controls to monitor that payroll liabilities are reported correctly and properly remitted to the appropriate parties. Instead, it relied on a single employee to report and remit the amounts due without sufficient oversight. In addition, as reported in finding 2023-004, the payroll bank account that is used to process state and local tax transactions was not properly reconciled to ensure all liabilities were paid timely.

As a result, state and local tax payments were not remitted in accordance with state laws and regulations and the county's occupational tax ordinance. The lack of payments to the DOR for income tax withheld could result in the fiscal court being assessed penalty amounts. Not paying occupational tax to the county's occupational tax administrator could result in the county having less funds to perform needed services.

Strong internal controls over the payroll process are essential in ensuring that employee withholdings are paid over to the appropriate entities.

In addition, KRS 141.310 (1) states, "[e]very employer making payment of wages on or after January 1, 1971, shall deduct and withhold upon the wages a tax determined under KRS 141.315 or by the tables authorized by KRS 141.370."



**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-009    The Clay County Fiscal Court Did Not Properly Remit Local And State Tax Payments (Continued)

Article VI, Section 1, of the Clay County Fiscal Court's Occupational Tax Ordinance states, "It shall be the duty of every person engaged in any trade, occupation, or profession within Clay County who employ or engages the services of others in connection there with, to withhold from the compensation of such employs, the license fee herein provided, at the time such compensation is paid or credited; said person shall pay to the administrator..."

We recommend the fiscal court implement internal controls over payroll liabilities to ensure compliance with KRS 141.310(1) and the occupational tax ordinance and remit amounts due to the DOR and the Clay County Occupational Tax Administrator timely. We also recommend that the fiscal court contact the DOR to determine if employee state tax withholdings were overpaid and to request a refund for the overpayment. This finding will be referred to the DOR and Clay County Occupational Tax Administrator.

Views of Responsible Official and Planned Corrective Action:

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

2024-010    The Clay County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements

Internal controls over disbursements were not operating as intended during fiscal year 2023. Proper procedures were not followed over disbursements. During audit procedures, 100 disbursements were tested. The following exceptions were noted:

- Three disbursements, totaling \$409,870, were paid from a statement with no accompanying invoice.
- Five disbursements, totaling \$375,580, were not paid within 30 days of receipt.
- Fifty-one disbursements, totaling \$4,461,418, had a purchase order attached that was issued after the date of the invoice.
- Five disbursements, totaling \$307,248, did not have the accompanying invoice marked as paid.
- One disbursement, totaling \$44, was missing an invoice.
- Eight disbursements, totaling \$164,957, did not have corresponding purchase orders .
- Sixty-two disbursements, totaling \$3,735,279, had a purchase order that was not properly authorized.
- Eight disbursements, totaling \$172,551, were not presented to the fiscal court before being paid.
- Two disbursements, totaling \$350, were for election officer pay, however, the election officer list used as supporting documentation for these expenditures did not specify pay rates.

In addition, 46 of the 100 disbursements were tested for compliance with bidding requirements, with the following exceptions noted:

- The county did not maintain the master agreement from an approved state vendor for the purchase of a Mack truck for \$131,999.
- The county did not bid two purchases, totaling \$102,739, that were required to be bid.
- Detailed invoices were not maintained for two disbursements, totaling \$152,743; therefore, prices paid could not be matched to the prices bid.
- Three disbursements, totaling \$253,704, were for invoices that listed prices that did not agree with prices in the original bid.
- The county did not obtain three quotes from state vendors for two vehicles purchased through the state vendor list. This disbursement totaled \$105,022.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-010    The Clay County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements  
 (Continued)

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During other testing performed, the following issues were noted:

- Two invoices were not cancelled properly. The invoices were not marked paid, the accounting code was not documented, and the checks used to pay the invoices were not documented.
- One invoice was posted to the disbursement ledger using the wrong check number. The check that cleared the bank did not match the check number posted to the ledger.

During testing of the county's credit card transactions, the following exceptions were noted:

- Purchase orders were dated after expenses were charged.
- Fourteen charges were not supported with a receipt.
- Five charges were supported by a receipt that was not itemized.
- One monthly statement was not paid within 30 days.
- \$130 of interest was incurred.

The above deficiencies occurred because of the improper implementation of internal controls over the disbursement process. These deficiencies could result in inaccurate reporting and misappropriation of assets.

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 approval of disbursements through properly authorized purchase orders and timely presentation of claims to the fiscal court are basic internal controls necessary to ensure the accuracy and reliability of financial reports.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual states, "[p]urchases shall not be made without approval by the judge/executive (or designee) and/or a department head. Purchase requests shall indicate the proper appropriation account number to which the claim will be posted." The manual also states that the appropriation ledger should include the original budget, increases/decreases by amendment or transfer, and the remaining balance.

KRS 424.260(1) states, "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids."

We recommend the Clay County Fiscal Court implement proper internal controls over disbursements and ensure they are operating effectively.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-010    The Clay County Fiscal Court Did Not Have Strong Internal Controls Over Disbursements  
 (Continued)

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Views of Responsible Official and Planned Corrective Action:

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

2024-011    The Clay County Fiscal Court Did Not Require The Depository Institution To Pledge Or Provide  
 Sufficient Collateral To Protect Deposits

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On June 30, 2024, the fiscal court and jail commissary had total deposits in the amount of \$6,134,007 and had the FDIC coverage of \$250,000 for checking accounts and \$250,000 for a certificate of deposits, plus a pledge of securities in the amount of \$3,253,966, leaving \$2,380,041 of the fiscal court deposits of public funds uninsured and unsecured.

The fiscal court and depository institution had a written agreement stating that the depository institution would provide adequate collateral to protect the fiscal court deposit. Even though this written agreement existed, the depository institution did not provide enough collateral. In the event of a depository institution failure, the fiscal court's deposits may not be returned if collateral is not sufficient to cover deposits.

DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* strongly recommends, "Perfected pledge of securities covering all public funds except direct federal obligations and funds protected by federal insurance. Safety should be the primary concern with all investments."

We recommend the fiscal court require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of all public funds.

Views of Responsible Official and Planned Corrective Action:

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

2024-012    The Clay County Fiscal Court Does Not Have Adequate Procedures For Reporting County Liabilities

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The Clay County Fiscal Court did not report outstanding principal of \$864,483 and outstanding interest balance of \$73,224 for a long term liability related to debt service payments for the Kentucky Infrastructure Authority (KIA) on the fourth quarter financial statement liability section as of June 30, 2024.

The fiscal court does not have controls in place to ensure balances were reported for the KIA debt. This has resulted in the misstatement of county liabilities, making it difficult for management to easily determine where the county's debt balances stand.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to report all liabilities of the county, even when related to unbudgeted funds. Control procedures should be in place with the fiscal court to ensure that all liabilities held at fiscal yearend are reported on the liabilities schedule and have accurate ending balances.

**CLAY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2024**  
**(Continued)**

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

2024-012 The Clay County Fiscal Court Does Not Have Adequate Procedures For Reporting County Liabilities  
 (Continued)

We recommend the county improve procedures to ensure proper reporting of all county liabilities on the financial statement.

Views of Responsible Official and Planned Corrective Action:

*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**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2023-001	The Clay County Fiscal Court Did Not Accurately Report Financial Information On The Fourth Quarter Financial Report	Unresolved	See corrective action for current year finding 2024-001
2023-002	The Clay County Fiscal Court's Actual Disbursements Exceeded Budgeted Appropriations	Unresolved	See corrective action for current year finding 2024-002
2023-003	The Clay County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated	Unresolved	See corrective action for current year finding 2024-003
2023-004	The Clay County Fiscal Court Did Not Perform Bank Reconciliations For Revolving Accounts	Unresolved	See corrective action for current year finding 2024-004
2023-005	The Clay County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Occupational Tax Receipts	Unresolved	See corrective action for current year finding 2024-005
2023-006	The Clay County Fiscal Court's Controls Over Receipts Were Not Operating Effectively	Unresolved	See corrective action for current year finding 2024-006
2023-007	The Kentucky Infrastructure Authority Debt Payments Were Not Paid As Required By The Debt Agreement	Unresolved	See corrective action for current year finding 2024-007
2023-008	The Clay County Fiscal Court Submitted Inaccurate Retirement Reports For Employees And Did Not Remit Retirement Payments Properly	Unresolved	See corrective action for current year finding 2024-008
2023-009	The Clay County Fiscal Court Did Not Properly Remit Local And State Tax Payments	Unresolved	See corrective action for current year finding 2024-009

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

**CLAY COUNTY FISCAL COURT**

**For The Year Ended June 30, 2024**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
CLAY COUNTY FISCAL COURT

For The Year Ended June 30, 2024

The Clay County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer