

**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
CLERK**

**For The Year Ended
December 31, 2024**



**ALLISON BALL
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

The Honorable Keith Taul, Hardin County Judge/Executive
The Honorable Brian Smith, Hardin County Clerk
Members of the Hardin County Fiscal Court

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Hardin County, Kentucky, and the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2024, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the receipts and disbursements of the Hardin County Clerk and the receipts, disbursements, and fund balances of the Hardin County Clerk's operating fund and county fund with the state treasurer for the year ended December 31, 2024, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws 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 Opinions on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hardin County Clerk, as of December 31, 2024, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

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* (GAS), issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* 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 Hardin County Clerk 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.



The Honorable Keith Taul, Hardin County Judge/Executive
The Honorable Brian Smith, Hardin County Clerk
Members of the Hardin County Fiscal Court

Basis for Opinion (Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the Hardin County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky 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 statements 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 Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are 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 Hardin County Clerk'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 statements as a whole are 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 GAS 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 controls. 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 statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 statements.
- 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 Hardin County Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hardin County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Keith Taul, Hardin County Judge/Executive
The Honorable Brian Smith, Hardin County Clerk
Members of the Hardin County Fiscal Court

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the Hardin County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Hardin County Clerk's internal control over financial reporting and compliance.

Based on the results of our audit, we have presented the accompanying Schedule of Findings and Responses, included herein, which discusses the following report finding:

2024-001 The Hardin County Clerk Did Not Properly Report Delinquent Tax Deposits And Refunds

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

December 19, 2025

HARDIN COUNTY
 BRIAN SMITH, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2024

Receipts

State Fees For Services	\$	52,322
Fiscal Court		40,202
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	3,959,886
Usage Tax		20,486,955
Tangible Personal Property Tax		13,273,800
Notary Fees		93,558
Other-		
Marriage Licenses		28,780
Vending		12,732
Document Storage		175,470
Deed Transfer Tax		823,630
Delinquent Tax		887,729
Delinquent Tax Deposits		1,769,925
		41,512,465
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts		154,969
Real Estate Mortgages		282,097
Chattel Mortgages and Financing Statements		277,088
Powers of Attorney		10,543
Affordable Housing Trust		98,970
All Other Recordings		173,161
Charges for Other Services-		
Candidate Filing Fees		2,540
Copy Work		7,590
Postage		91,445
Miscellaneous		30,383
Overpayments/Refunds		107,328
		1,236,114
Interest Earned		1,001
Total Receipts		42,842,104

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

HARDIN COUNTY
 BRIAN SMITH, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 2,842,876	
Usage Tax	19,870,990	
Tangible Personal Property Tax	5,023,180	
Licenses, Taxes, and Fees-		
Delinquent Tax	75,840	
Legal Process Tax	92,153	
Affordable Housing Trust	<u>98,970</u>	\$ 28,004,009

Payments to Fiscal Court:

Tangible Personal Property Tax	1,146,158	
Delinquent Tax	79,374	
Deed Transfer Tax	782,103	
Vending Licenses	6,441	
Document Storage Fees	175,470	
Miscellaneous	<u>6</u>	2,189,552

Payments to Other Districts:

Tangible Personal Property Tax	6,573,510	
Delinquent Tax	<u>476,701</u>	7,050,211

Payments to Sheriff 71,282

Other Regulatory Payments:

Delinquent Tax Deposit Refunds	1,769,925	
Other Refunds	<u>112,093</u>	1,882,018

Payments to County Attorney 109,217

Other Disbursements:

NSF Bad Debt Expense		<u>880</u>
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Total Disbursements \$ 39,307,169

HARDIN COUNTY
BRIAN SMITH, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2024
(Continued)

Net Receipts			\$ 3,534,935
Payments to State Treasurer:			
75% Operating Fund *	\$	2,701,677	
25% County Fund		<u>833,258</u>	<u>3,534,935</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

* Includes reimbursed expenses in the amount of \$201,903 for the audit period.
See Note 1 of Notes to Financial Statements.

HARDIN COUNTY
 BRIAN SMITH, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2024

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2024	\$ 500,608	\$	\$ 500,608
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	2,701,677		2,701,677
Fees Paid to State - County Funds (25%)		833,258	833,258
Total Funds Available	3,202,285	833,258	4,035,543
<u>Disbursements</u>			
Hardin County Fiscal Court		833,258	833,258
Personnel Services-			
Official's Statutory Maximum	133,842		133,842
Official's Expense Allowance	2,576		2,576
Official's Training Incentive	3,600		3,600
Deputies' Salaries	1,316,196		1,316,196
Overtime Gross	40,126		40,126
Employee Benefits-			
Employer's Share Social Security	111,450		111,450
Employer's Share Retirement	318,386		318,386
Employer's Share Health Insurance	268,138		268,138
Employer's Share Life Insurance	308		308
Workers' Compensation	1,274		1,274
Supplies and Materials-			
Office Supplies	21,741		21,741
Other Charges-			
Dues and Convention Fees	8,320		8,320
Telephone Service	8,455		8,455
Mileage and Clerk Expense	6,168		6,168
Miscellaneous	3,082		3,082
Postage	31,091		31,091
Communications	2,400		2,400
Repairs and Maintenance	160		160
Legal and Professional	977		977
Election Expense	120		120

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

HARDIN COUNTY
 BRIAN SMITH, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2024
 (Continued)

	75% Operating Fund	25% County Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
<u>Disbursements (Continued)</u>			
Capital Outlay-			
Office Equipment	\$ 11,439	\$	\$ 11,439
Debt Service-			
Lease Purchases	<u>28,125</u>	<u> </u>	<u>28,125</u>
Total Disbursements	<u>2,317,974</u>	<u>833,258</u>	<u>3,151,232</u>
Fund Balance - December 31, 2024	<u>\$ 884,311</u>	<u>\$ 0</u>	<u>\$ 884,311</u>

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

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2024

Note 1. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statement has been prepared on a regulatory basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Authority for the regulatory basis is found in Kentucky Revised Statutes (KRS).

The Department for Local Government (DLG) is the regulatory agency responsible for establishing minimum accounting requirements for local government entities. The commissioner of the DLG is designated as the state local finance officer. (KRS 68.001). The DLG must prescribe and maintain “a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state” from local government entities. (KRS 46.010(1)). The state local finance officer supervises the administration of the county uniform budget system and accounts and financial operations and must prescribe a “uniform system of accounts for all counties and county officials.” (KRS 68.210). Under this authority, the DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* (Manual) to meet the minimum required reporting for financial statement purposes.

The regulatory basis is outlined in the Manual and defines the measurement, presentation, disclosure, and recognition requirements for financial transactions when preparing regulatory basis financial statements. The Manual includes the standardized format for quarterly reporting to DLG.

Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed, with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2024 services
- Reimbursements for 2024 activities
- Payments due to other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due to vendors for goods or services provided in 2024

B. Measurement Focus and Excess Fees

A fee official in a county with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. (KRS 64.350). Seventy-five percent (75%) of the fees collected are deposited in the county clerk’s operating fund and used for his or her office expenses. (KRS 64.350). The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly, no later than April 15, July 15, October 15, and January 15. (KRS 64.350). These funds are closed at the end of each official term by paying the balances to the respective county government.

Also, fee official office revenues could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

The fiscal court shall collect any amount due from the county clerk as determined by the audit. (KRS 64.820).

An outgoing clerk must make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office. (KRS 64.830).

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

D. Cash and Investments

KRS 66.480 authorizes the county clerk's office 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).

Note 2. Employee Retirement System and Other Post-Employment Benefits

The clerk's office has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which has been governed by the CERS nine-member board of trustees since April 1, 2021. The Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505, effective April 1, 2021, to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. CERS 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, vesting requirements, and provisions are established by statute and are determined by participation date and hazardous or non-hazardous participation.

The county clerk's contribution for calendar year 2022 was \$349,890, calendar year 2023 was \$391,592, and calendar year 2024 was \$318,386. The county's contribution rate for nonhazardous employees for calendar year 2024 was 23.34% for the first six months and 19.71% for the last six months.

Other Post-Employment Benefits (OPEB)

CERS provides post-retirement health care, cost of living adjustments for all recipients of retirement benefits, and a retired member's death benefit, all determined by participation date and hazardous or non-hazardous participation.

Specific details about retiree pension and OPEB benefits can be found online at: <https://www.kyret.ky.gov/Publications>.

HARDIN COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2024
 (Continued)

Note 2. Employee Retirement System and Other Post-Employment Benefits (Continued)

Kentucky Public Pension Authority's 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. Many of these annual reports are available online at <https://kyret.ky.gov>. Reports may also be obtained by writing the KPPA, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 3. Deposits

The Hardin County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Manual. The 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 county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The Hardin County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the Manual. As of December 31, 2024, all deposits were covered by a properly executed collateral security agreement.

Note 4. State Grant

A. The Hardin County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of \$307,107. Funds totaling \$18,200 were expended during the year. The unexpended grant balance was \$288,907, as of December 31, 2024.

Note 5. Commitments: - Lease Agreement

The Hardin County Clerk's Office was committed to the following lease agreement as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Radcliff Office Space	1/1/2024	12 months	Monthly	12/31/2024	\$ 2,250	\$ 0

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024
(Continued)

Note 6. Imprest Cash Account

The Finance & Administration – County Fee Systems Branch authorized the Hardin County Clerk to administer an Imprest Cash Fund in the amount of \$7,000. This fund is to be used for expenses, such as postage and other necessary expenses \$1,000 or less that need to be paid in less than a 10-day turn around, except travel and payroll expenses.

Note 7. Delinquent Tax Account

The county clerk has established a delinquent tax account. This fund is used to collect the 25% deposit from third party purchasers for the delinquent tax sale. The account had a beginning balance of \$0 with receipts of \$2,019,911 and \$2,019,911 of disbursements for calendar year 2024. The account balance was \$0 as of December 31, 2024.

Note 8. Contingencies

The county clerk is involved in a lawsuit, which could negatively impact the financial position of the county clerk's office. Due to the uncertainty of this litigation, a reasonable estimate of the financial impact on the county clerk's office cannot be made at this time.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS 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
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Keith Taul, Hardin County Judge/Executive
The Honorable Brian Smith, Hardin County Clerk
Members of the Hardin County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Program for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky, the Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Hardin County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2025. The Hardin County Clerk's financial statements are prepared on a regulatory basis of accounting, which demonstrates 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hardin County Clerk'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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Clerk's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-001 to be a material weakness.



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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Clerk's financial statements are free from 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 statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2024-001.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards require the auditor to perform limited procedures on the Hardin County Clerk's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The Hardin County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on the response.

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

December 19, 2025

SCHEDULE OF FINDINGS AND RESPONSES

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HARDIN COUNTY
BRIAN SMITH, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2024

2024-001 The Hardin County Clerk Did Not Properly Report Delinquent Tax Deposits And Refunds

Condition and Context:

This is the repeat of a similar finding that was included in the prior year audit report as finding 2023-001. The Hardin County Clerk received and disbursed delinquent tax sale deposits totaling \$2,019,911. These funds were maintained in a separate bank account, and a summary of the bank account activity was disclosed on the front page of the clerk's fourth quarter financial report in a "not fee account" column. The receipt and disbursement of delinquent tax certificate purchases from the clerk's delinquent tax sale totaling \$249,986 were included on the financial activity of the fee account, however the related delinquent tax deposits totaling \$1,769,925 that were refunded were not incorporated into the fee account financial activity, which resulted in the fee account receipts and disbursements both being understated by \$1,769,925. As in the prior year, the county clerk accepted and signed off on the corrections to the reported receipts and disbursements of his fee account.

Cause:

Per the county clerk, he was not clear on how to fix the prior year issue and thought showing the delinquent tax account on the front page of the fourth quarter report as an "other" account was sufficient.

Effect:

As a result, the 2024 fourth quarter financial report submitted to the Department for Local Government did not accurately reflect all the receipt and disbursement activity related to the county clerk's fee account.

Criteria:

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This system of accounts requires fee official quarterly financial reports to be submitted by the 30th day following the close of each quarter. Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards in the DLG's County Budget Preparation and State Local Finance Officer Policy Manual. The manual requires the clerk to prepare a quarterly report which includes total receipts and total disbursements on a cash basis per line-item category.

KRS 134.128(2) states, "[t]he department shall promulgate administrative regulations to establish a process for the purchase and sale of certificates of delinquency to third parties." These procedures are included in 103 KAR 5:180 and define a portion of advance payments as fees of the county clerk. Additionally, good internal controls dictate that financial reports be accurate and properly classified.

Recommendations:

We recommend the Hardin County Clerks' Fee Account fourth quarter report reflect all receipts and disbursements, including line-item categories for delinquent tax sale deposits and refunds.

HARDIN COUNTY
BRIAN SMITH, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-001 The Hardin County Clerk Did Not Properly Report Delinquent Tax Deposits And Refunds
(Continued)

County Clerk's Response: The "Report of the Audit of the Hardin County Clerk" for the year ended December 31, 2023 states, "The Hardin County Clerk's fourth quarter report was not accurate due to delinquent tax sale deposits and refunds not being reported." After that audit, we amended our fourth quarter report to include delinquent tax sale deposits and refunds. Because of our commitment to complying with the auditor's request in the most transparent way possible, we listed this account on the FRONT page of our quarterly report.

We were shocked that this was not sufficient. This account is accurate and reported in a manner that complies with the comment from the prior year's audit. It is true that we did not list this on the desired (but unstated) page(s) of our fourth quarterly report. If the prior comment would have been more precise, our response would have hit the target. When we pressed the auditor assigned to our office on this finding, his response was that this finding was "nitpicky" – his words, not ours. We agree with the auditor, that's nitpicky. We have once again amended our quarterly report to comply with (what we hope) are the wishes of the auditor's office by listing this account on the "correct" pages.

Auditor's Reply: The Hardin County Clerk's fourth quarter financial statement, which is the official record of the clerk's fee account activity, was materially inaccurate since it failed to account for Delinquent Tax Deposits collected as well as Delinquent Tax Refunds remitted. Those account classifications and related amounts are not recorded within the fourth quarter financial statement. The county clerk agreed in the current and prior years to the material adjustments needed to correct this reporting error since he reported that bank account activity that is described on the front of the fourth quarter financial statement as "Not the fee account".