REPORT OF THE AUDIT OF THE LINCOLN 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 Woods Adams, Lincoln County Judge/Executive
The Honorable Nancy Jackson, Lincoln County Clerk
Members of the Lincoln County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Lincoln County, Kentucky, for the year ended December 31, 2024, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Lincoln County Clerk 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 Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Lincoln 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) and 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 Lincoln 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.

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The Honorable Woods Adams, Lincoln County Judge/Executive
The Honorable Nancy Jackson, Lincoln County Clerk
Members of the Lincoln 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 statement, the financial statement is prepared by the Lincoln 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 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

Management is responsible for the preparation and fair presentation of this financial statement 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 a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln 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 statement as a whole 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 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 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 GAS, 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 Lincoln 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 statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Woods Adams, Lincoln County Judge/Executive
The Honorable Nancy Jackson, Lincoln County Clerk
Members of the Lincoln 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 April 30, 2026, on our consideration of the Lincoln 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 Lincoln 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 findings:

2024-001 The Lincoln County Clerk Lacks Adequate Segregation Of Duties
2024-002 The Lincoln County Clerk Lacks Internal Controls Over Financial Reporting
2024-003 The Lincoln County Clerk Failed To Follow The Administrative Code Regarding Sick Leave Payment

Respectfully submitted,

Allison Ball

Allison Ball
Auditor of Public Accounts
Frankfort, KY

April 30, 2026

LINCOLN COUNTY
NANCY JACKSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2024

Receipts		
State Fees For Services		$ 11,873
Fiscal Court		207,325
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	$ 820,581	
Usage Tax	1,121,850	
Tangible Personal Property Tax	2,873,615	
Notary Fees	32,141	
Other-		
Fish and Game Licenses	4,172	
Marriage Licenses	6,080	
Deed Transfer Tax	123,763	
Delinquent Tax	419,271	
Delinquent Tax Deposits	190,272	5,591,745
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	34,042	
Real Estate Mortgages	61,615	
Chattel Mortgages and Financing Statements	63,318	
Powers of Attorney	2,504	
Affordable Housing Trust	22,320	
All Other Recordings	58,066	
Charges for Other Services-		
Candidate Filing Fees	1,320	
Copy Work	5,725	
Postage	1,522	
Document Storage Fee	39,920	
Miscellaneous	15,532	305,884
Interest Earned		40
Total Receipts		6,116,867

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

LINCOLN COUNTY
NANCY JACKSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2024
(Continued)

Disbursements		
Payments to State:		
Motor Vehicle-		
Licenses and Transfers	$ 613,851	
Usage Tax	1,082,582	
Tangible Personal Property Tax	1,068,352	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	4,131	
Delinquent Tax	35,855	
Legal Process Tax	17,581	
Affordable Housing Trust	22,320	$ 2,844,672
Payments to Fiscal Court:		
Tangible Personal Property Tax	259,196	
Delinquent Tax	31,547	
Deed Transfer Tax	117,575	
Document Storage	39,920	
Election Expense	4,282	452,520
Payments to Other Districts:		
Tangible Personal Property Tax	1,429,509	
Delinquent Tax	241,024	1,670,533
Payments to Sheriff		29,155
Payments to County Attorney		44,701
Other Regulatory Payments:		
Delinquent Tax Deposit Refunds		188,634
Operating Disbursements and Capital Outlay:		
Personnel Services-		
Deputies' Salaries	346,158	
Part-Time Salaries	13,206	
Employee Benefits-		
Employer's Share Social Security	34,940	
Employer's Share Retirement	96,099	
Employer's Paid Health Insurance	86,269	
Other Payroll Disbursements	712	
Payroll Support	2,400	

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

LINCOLN COUNTY
NANCY JACKSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2024
(Continued)

Disbursements (Continued)			
Operating Disbursements and Capital Outlay: (Continued)			
Contracted Services-			
Advertising	$ 2,400		
Computer Support	13,654		
Materials and Supplies-			
Office Supplies	13,657		
Telecommunications	6,076		
Other Charges-			
Dues	1,569		
Postage	1,850		
Miscellaneous	4,811		
Postage	8,493		
Refunds	12,205		
Capital Outlay-			
Office Equipment	1,440	$ 645,939	
Total Disbursements			$ 5,876,154
Net Receipts			240,713
Less: Statutory Maximum			108,103
Excess Fees			132,610
Less: Expense Allowance		3,600	
Training Incentive Benefit		1,288	4,888
Excess Fees Due County for 2024			127,722
Payment to Fiscal Court - March 10, 2025			152,199
Balance Due Fiscal Court at Completion of Audit*			$ (24,477)

* - The negative balance reflects $24,528 in deed transfer tax due, net of an ending cash balance of $51, resulting from an overpayment of excess fees. No refund is expected as both amounts are payable to the fiscal court.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENT

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) as of December 31 that may be included in the excess fees calculation:

- 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 and payroll
- Payments due to vendors for goods or services provided in 2024

C. Measurement Focus and Excess Fees

The measurement focus of a fee official's financial statement is upon current financial resources. A county clerk must remit to the fiscal court any income of his or her office, including the income from investments, that exceeds the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants, when making his or her annual settlement. (KRS 64.152(2)). This settlement is due to the fiscal court by March 15 of each year. (KRS 64.152(1)). An outgoing clerk shall 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). The fiscal court shall collect any amount due from the county clerk as determined by the audit. (KRS 64.820.)

D. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

E. 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 $62,026, calendar year 2023 was $103,500, and calendar year 2024 was $96,099. 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.

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.

LINCOLN COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2024
(Continued)

Note 3. Deposits

The Lincoln 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 Lincoln 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. Grant

The Lincoln County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of $67,343. Interest of $5 was earned. No funds were expended during the year. The unexpended grant balance was $67,348, as of December 31, 2024.

Note 5. Commitments: - Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

The Lincoln County Clerk's Office was committed to the following lease agreements and SBITAs as of December 31, 2024:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Leases:						
Postage Meter	5/31/2024	60 months	Quarterly	5/31/2029	$ 171	$ 3,255
DRMS Hardware-6 Workstations	11/13/2020	60 months	Monthly	12/13/2025	$ 540	$ 6,480
DRMS Hardware-Server	12/20/2022	60 months	Monthly	12/20/2027	$ 550	$ 19,800
DRMS Hardware- Scanner/Printer	6/1/2023	60 months	Monthly	6/1/2028	$ 150	$ 6,300
DRMS Hardware-Computer	3/1/2023	60 months	Monthly	3/1/2028	$ 90	$ 3,600
DRMS Hardware-Printer	6/1/2023	60 months	Monthly	6/1/2028	$ 125	$ 5,000
SBITAS:						
DRMS Software	1/24/2024	60 months	Monthly	1/24/2029	$ 735	$ 35,280
DRMS Software	3/26/2024	60 months	Monthly	3/26/2029	$ 1,000	$ 50,000

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

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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 Woods Adams, Lincoln County Judge/Executive
The Honorable Nancy Jackson, Lincoln County Clerk
Members of the Lincoln 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, Disbursements, and Excess Fees - Regulatory Basis of the Lincoln County Clerk for the year ended December 31, 2024, and the related notes to the financial statement and have issued our report thereon dated April 30, 2026. The Lincoln County Clerk's financial statement is 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 statement, we considered the Lincoln 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 statement, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lincoln 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 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 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 Responses as items 2024-001 and 2024-002 to be material weaknesses.

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Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Lincoln County Clerk'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 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 2024-003.

Views of Responsible Official and Planned Corrective Action

Government Auditing Standards require the auditor to perform limited procedures on the Lincoln County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Lincoln County Clerk's response was not subjected to the other auditing procedures applied in the audit of the financial statement 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

Allison Ball
Auditor of Public Accounts
Frankfort, KY

April 30, 2026

SCHEDULE OF FINDINGS AND RESPONSES

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LINCOLN COUNTY
NANCY JACKSON, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2024

2024-001 The Lincoln County Clerk Lacks Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2023-001. The county clerk's office lacks adequate segregation of duties over receipts, disbursements, and reconciliations. Deputies collecting receipts also reconcile cash drawers, prepare daily checkout sheets and deposit tickets, and posts to the receipts ledger. The bookkeeper can issue checks, post to the disbursements ledger, and reconciles the bank account.

According to the county clerk, this condition is a result of a limited budget, which restricts the number of employees the county clerk can hire or delegate duties to.

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

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

We recommend the county clerk segregate the duties of accounting functions. If segregation of duties is not feasible due to lack of staff, we recommend the county clerk implement and document compensating controls to offset this control deficiency.

County Clerk's Response: We have met with an outside former auditor who is helping us develop an SOP written plan to address the auditor's concerns.

2024-002 The Lincoln County Clerk Lacks Internal Controls Over Financial Reporting

The Lincoln County Clerk lacks adequate internal controls over financial reporting. During testing, the following deficiencies were noted:

- The financial statement prepared by the county clerk did not agree to receipt and disbursement ledgers. Receipts were misstated by $79,056 and disbursements were misstated by $5,792.
- The financial statement for calendar year 2024 included receipts $1,209 and disbursements of $5,615 relating to 2023 activity.
- A payment of $19,670 from fiscal court was deposited directly into the revolving payroll account instead of the fee account.
- Payroll transfers did not agree to payroll summary reports, resulting in the payroll account being overdrawn seven times during the calendar year.
- $57,057 in duplicate motor vehicle payments were processed resulting in overstatement of receipts and disbursements.
- Monthly delinquent tax reports were not reconciled to the receipts ledger prior to remitting payments to taxing districts. The monthly reports did not agree to the receipts ledger for six out of twelve months, resulting in an unknown variance of $7,315.
- Quarterly deed transfer tax reports were not reconciled to the receipts ledger prior to remitting payment to the fiscal court. Deed transfer tax of $117,574 was owed for calendar year 2024; however, only $93,046 was remitted to the fiscal court, resulting in an underpayment of $24,528.

LINCOLN COUNTY
NANCY JACKSON, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-002 The Lincoln County Clerk Lacks Internal Controls Over Financial Reporting (Continued)

These issues resulted from inadequate internal control over recording, reconciling, and monitoring financial activity. Additionally, the county clerk transitioned to a new accounting system during the year, which contributed to the errors on the quarterly report. A reporting error was identified in the accounting system, which resulted in all types of collections not being included on the quarterly deed transfer report.

These deficiencies led to inaccurate financial reporting and unreliable financial reports, increased risk of misappropriation, and noncompliance with statutory and fiscal reporting requirements. The underpayment of monthly and quarterly payments due resulted in an overpayment of excess fees, impacting the accuracy of financial reporting.

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Reconciliations are a basic internal control necessary to ensure the accuracy and reliability of financial reports. Reconciling system-generated reports to the accounting records helps decrease the risk of errors or misstatements.

We recommend the county clerk strengthen internal controls by ensuring transactions are recorded accurately and in the correct year, all funds are deposited into proper accounts, payroll transfers are reviewed to prevent overdrafts, all disbursements are accurate, and all monthly and quarterly reports are reconciled to the receipts ledger for accuracy before remitting payments to appropriate entities.

County Clerk’s Response: In 2024 the clerk's office went into new accounting software and six months had to be integrated by hand from a prior program. The new system had to be adjusted much like the KAVIS system when it went into service. For instance, the new system failed to integrate e-filings into the deed transfer tax report causing transfer tax to reflect short in 2024. The funds did go to fiscal court as excess fees, but was not discovered timely. All categorization and reporting errors were fixed in 2025. We now utilize the checks and balances in our software and new features are added regularly to assist clerks.

2024-003 The Lincoln County Clerk Failed To Follow The Administrative Code Regarding Sick Leave Payment

The Lincoln County Clerk paid an employee for accumulated sick leave in violation of the administrative code. The Lincoln County Clerk follows the administrative code of the Lincoln County Fiscal Court. One employee was permitted to utilize accumulated sick leave instead of working. This employee was paid for 35 days of sick leave between January and April 2024 and an additional three days of wages were paid to the employee without utilizing any type of leave.

The county clerk said that the county had a practice of allowing leave to be paid or used in this manner even though it was not incompliance with the county’s administration code. In total, the employee was paid wages and received benefits totaling $10,777.

Lincoln County’s classification and compensation plans personnel policies and procedures amendment 3.a. states, “[s]ick leave credit may be utilized by employees when they are unable to perform their duties because of sickness, injury, childbirth, when they are quarantined, initial bonding time required during an adoption, or when their absence from work is required due to sickness in the immediate family.” 3.b. states, “[a]ll foreseeable leave for such purposes shall require specific prior written approval of the department head.”

2024-003 The Lincoln County Clerk Failed To Follow The Administrative Code Regarding Sick Leave Payment (Continued)

Also, Lincoln County's classification and compensation plans personnel policies and procedures does not allow sick leave to be paid out. It states, "[e]mployees shall be allowed to accrue an unlimited number of sick leave hours. Upon termination of employment with the county, other than retirement, unused sick leave shall be forfeited without pay. Employees that retire under the County Employees Retirement System shall be allowed to utilize sick time consistent with the governing regulations of the Standard Sick Leave program."

We recommend the county clerk consult with the fiscal court and the county attorney to determine how to resolve the questionable cost and to determine if repayment should be made. Also, we recommend they follow the adopted policies and procedures on the use of leave time.

County Clerk's Response: The long serving employee who did not return to the office after this clerk came in (11/13/2023) was treated the same as previous employees who retired under the 3 prior county clerks she worked for; and fiscal court was aware of the extenuating circumstances created by prior clerks. This clerk wrote a personnel policy handbook in 2024 which addresses how or if unused sick and vacation time will be compensated and it is limited now.