

**REPORT OF THE AUDIT OF THE  
MARTIN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2023**



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

**Independent Auditor's Report**

The Honorable Lon Lafferty, Martin County Judge/Executive  
The Honorable Susie Skyles, Martin County Clerk  
Members of the Martin 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 Martin County, Kentucky, for the year ended December 31, 2023, 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 Martin County Clerk for the year ended December 31, 2023, 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 Martin County Clerk, as of December 31, 2023, 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 Martin 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 Lon Lafferty, Martin County Judge/Executive  
The Honorable Susie Skyles, Martin County Clerk  
Members of the Martin 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 Martin 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 Martin 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 Martin 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 Martin County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Lon Lafferty, Martin County Judge/Executive  
 The Honorable Susie Skyles, Martin County Clerk  
 Members of the Martin 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Schedule of Excess Liabilities Over Assets – Regulatory Basis (Supplementary Information) is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The 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 information is fairly stated, in all material respects, in relation to the financial statement as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2025, on our consideration of the Martin 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 Martin 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:

- 2023-001 The Martin County Clerk's Office Does Not Have Adequate Segregation Of Duties
- 2023-002 The Martin County Clerk Has A Deficit Of \$27,073 In Her 2023 Official Bank Account
- 2023-003 The Martin County Clerk Has A Deficit Of \$7,558 In Her 2022 Official Bank Account

Respectfully submitted,



Allison Ball  
 Auditor of Public Accounts  
 Frankfort, KY

May 30, 2025

MARTIN COUNTY  
SUSIE SKYLES, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2023

Receipts

State Revenue Supplement		\$ 69,995
State Fees For Services		3,523
Fiscal Court		6,964
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 309,376	
Usage Tax	953,090	
Tangible Personal Property Tax	1,040,182	
Notary Fees	816	
Other-		
Fish and Game Licenses	7,954	
Marriage Licenses	3,040	
Occupational Licenses	9,168	
Deed Transfer Tax	20,360	
Delinquent Tax	<u>640,182</u>	2,984,168
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	12,543	
Real Estate Mortgages	6,502	
Chattel Mortgages and Financing Statements	31,012	
Powers of Attorney	1,472	
Affordable Housing Trust	2,826	
All Other Recordings	40,872	
Charges for Other Services-		
Copywork/Postage	2,293	
Miscellaneous	<u>22,987</u>	120,507
Other:		
Refunds/Overpayment		18,674
Interest Earned		<u>470</u>
Total Receipts		3,204,301

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



MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2023  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 219,627

Usage Tax 926,040

Tangible Personal Property Tax 533,989

Licenses, Taxes, and Fees-

Fish and Game Licenses 7,936

Delinquent Tax 37,132

Legal Process Tax 9,149

Candidate Filing Fees 250

Affordable Housing Trust 2,826

Miscellaneous 10 \$ 1,736,959

Payments to Fiscal Court:

Tangible Personal Property Tax 142,531

Delinquent Tax 37,651

Deed Transfer Tax 18,601 198,783

Payments to Other Districts:

Tangible Personal Property Tax 322,704

Delinquent Tax 368,798 691,502

Payments to Sheriff 55,518

Payments to County Attorney 86,662

Storage Fees to Fiscal Court 9,600

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 202,855

Employee Benefits-

Employer's Share Retirement 21,000

Contracted Services-

Contract Labor 1,557

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

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2023  
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Materials and Supplies-		
Office Supplies	\$ 11,141	
Other Charges-		
Bank Charges	822	
Dues	400	
Refunds/Overpayments	45,634	
Insurance and Bonds	356	
Miscellaneous	7,399	
Postage	<u>284</u>	\$ 291,448
Capital Outlay-		
Office Equipment		7,655
Debt Service:		
Lease Purchases		<u>40,067</u>
Total Disbursements		<u>\$ 3,118,194</u>
Net Receipts		86,107
Less: Statutory Maximum*		<u>104,597</u>
Excess Fees		(18,490)
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>4,983</u>	<u>8,583</u>
Total Fund Deficit as of December 31, 2023**		<u>\$ (27,073)</u>

\* - The county clerk's statutory maximum for calendar year 2023 was 104,597 as noted above.  
 The county clerk was paid \$104,223 during calendar year 2023. The county clerk was underpaid \$374.

\*\* - See the following Deficit Statement for the determination of this balance.

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2023

Note 1. Summary of Significant Accounting Policies

A. 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.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to pay to the governing body of the county any fees, commissions, and other income of his or her office, including income from investments, which exceed the sum of his or her maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants by March 15 of each year. KRS 64.830 requires an outgoing clerk to make a final settlement with the fiscal court by March 15 immediately following the expiration of his or her term of office.

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. This basis demonstrates compliance with the laws of Kentucky and is a special purpose framework. 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 2023 services
- Reimbursements for 2023 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2023

The measurement focus of a fee official's financial statement is upon current financial resources. Per KRS 64.152(2), remittance of excess fees is due to the fiscal court when the county clerk makes their final settlement.

C. 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).

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(Continued)

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 is administered by the Kentucky Public Pensions Authority (KPPA). 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.

The county clerk's contribution for calendar year 2021 was \$20,000, calendar year 2022 was \$20,000, and calendar year 2023 was \$21,000.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the CERS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.79 percent for the first six months and 23.34 percent for the last six months.

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:

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

<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, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. 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 percent 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 KRS 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 percent. 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.

MARTIN COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2023  
 (Continued)

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

Other Post-Employment Benefits (OPEB) (Continued)

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, KRS 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.

Kentucky Retirement Systems Annual Financial Report and Proportionate Share Audit Report

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Kentucky Retirement Systems 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 Martin County Clerk maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *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 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 Martin County Clerk does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of December 31, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(Continued)

Note 4. Lease Agreements - Hardware

A. Postage Meter

The Martin County Clerk's Office was committed to a lease agreement for a postage meter. The lease agreement required a monthly payment of \$95 for 5 years and was completed on April 1, 2025. The total lease liability balance of the agreement was \$1,703 as of December 31, 2023.

B. Computer Equipment

The Martin County Clerk's Office is committed to a lease agreement for a computer equipment. The lease agreement requires a monthly payment of \$1,265 for 5 years to be completed on February 21, 2026. The total lease liability balance of the agreement was \$32,890 as of December 31, 2023.

C. Lease Aggregate

The number of required payments on the hardware lease on December 31, 2023, was as follows:

Calendar Year Ended June 30	Amount
2024	\$ 16,320
2025	15,465
2026	<u>2,530</u>
Total Minimum Lease Payments	<u>\$ 34,315</u>

Note 5. Subscription-Based Information Technology Arrangements (SBITA)

A. Tax Collection Software Subscription

The Martin County Clerk entered into a subscription-based information technology arrangement for tax collection software. Under the subscription terms, the Martin County Clerk receives the right-to-use subscription asset (intangible asset) for 5 years in exchange for making payments totaling \$138,000. The Martin County Clerk is required to make monthly payments of \$2,300 through February 21, 2026. As of December 31, 2023, the value of the subscription liability was \$59,800.

B. SBITA – Aggregate

The number of required payments on the SBITA on December 31, 2023, was as follows:

Calendar Year Ended June 30	Amount
2024	\$ 27,600
2025	27,600
2026	<u>4,600</u>
Total Minimum Lease Payments	<u>\$ 59,800</u>

MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2023  
(Continued)

Note 6. Fiduciary Account - Escrow Account

The Martin County Clerk deposited outstanding checks into a custodial bank account. When statutorily required, the county clerk will turn over the escrowed funds to the Kentucky State Treasurer as unclaimed property. The county clerk's escrowed amounts were as follows:

2015	\$109
2017	\$853
2018	\$48
2022	\$539



MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
SCHEDULE OF EXCESS LIABILITIES OVER ASSETS - REGULATORY BASIS  
 SUPPLEMENTARY INFORMATION

December 31, 2023

Assets

Cash in Bank	\$ 83,086	
Receivables	54,351	
Due From County Clerk for Expense Allowance	3,600	
Due From 2022 Operating Account	<u>12,361</u>	
Total Assets		<u>153,398</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$ 80,165	
Liabilities	<u>42,583</u>	122,748

Unpaid Obligations:

Due To County Clerk For Salary Underpayment	374	
Tangible Personal Property Tax - State Treasurer	40,790	
Tangible Personal Property Tax - School District	16,542	
Delinquent Tax - Fire District	<u>17</u>	<u>57,723</u>

Total Liabilities		<u>180,471</u>
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Total Fund Deficit As of December 31, 2023		<u>\$ (27,073)</u>
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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 Lon Lafferty, Martin County Judge/Executive  
The Honorable Susie Skyles, Martin County Clerk  
Members of the Martin 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 Martin County Clerk for the year ended December 31, 2023, and the related notes to the financial statement and have issued our report thereon dated May 30, 2025. The Martin 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 Martin 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 Martin County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Martin 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 a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings and Responses as item 2023-001 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  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

**Report on Internal Control over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-002 and 2023-003 to be significant deficiencies.

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Martin 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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

May 30, 2025

## SCHEDULE OF FINDINGS AND RESPONSES

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MARTIN COUNTY  
SUSIE SKYLES, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2023

INTERNAL CONTROL - MATERIAL WEAKNESS:

2023-001 The Martin County Clerk's Office Does Not Have Adequate Segregation Of Duties

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This is a repeat finding and was included in the prior year audit report as finding 2022-001. The Martin County Clerk's Office does not have adequate segregation of duties. One employee collected cash, prepared the daily checkout sheet, prepared the deposit slip, and took the deposit to the bank. There were no compensating controls in place to offset this control deficiency.

The lack of segregation of duties occurs because the county clerk has failed to segregate incompatible duties. This deficiency increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. If duties cannot be segregated, the county clerk should implement compensating controls.

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." Segregation of duties is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Additionally, a proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Proper segregation of duties over the accounting and reporting functions, such as reconciling bank records to the receipts and disbursements ledgers or implementing compensating controls when necessary due to limited staff, is essential for providing protection from undetected errors.

We recommend the county clerk's office adequately segregate duties and implement internal controls to ensure transactions are recorded timely. Employees receiving payments and preparing deposits should not be posting to the receipts ledger and preparing bank reconciliations. A proper segregation of duties may not be possible with a limited number of employees, and, in that case, the county clerk or bookkeeper could take on the responsibility of reviewing the daily deposits, receipts and disbursements ledgers, monthly reports, and bank reconciliations prepared by another employee. These reviews must be documented in a way that indicates what was reviewed, by whom, and when. Further, the county clerk could require dual signatures on all checks, with one signature being the county clerk's.

*County Clerk's Response: The official did not provide a response.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

2023-002 The Martin County Clerk Has A Deficit Of \$27,073 In Her 2023 Official Bank Account

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The Martin County Clerk has a deficit of \$27,073 in the official 2023 fee account. The deficit is primarily due to a \$30,000 loan the county clerk made to her 2022 operating account to pay outstanding liabilities due to the taxing districts. The 2022 operating account subsequently reimbursed the 2023 operating account \$17,639 toward the amount borrowed, leaving a balance due of \$12,361 from the 2022 operating account.

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2023  
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2023-002 The Martin County Clerk Has A Deficit Of \$27,073 In Her 2023 Official Bank Account (Continued)

The remaining balance of the deficit is due to a lack of internal controls over the reconciliation process. During the end of the calendar year the county clerk found that she did not have enough funds to pay outstanding liabilities due to the taxing districts. Although the county clerk did not exceed budgeted operating expenditures, she failed to recognize revenue was not sufficient to cover her expenditures. The county clerk did not review monthly bank balances to determine if there were sufficient funds to pay outstanding liabilities. The following schedule details the fund deficit as of December 31, 2023:

Assets

Cash in Bank	\$	83,086	
Receivables		54,351	
Due From County Clerk for Expense Allowance		3,600	
Due From 2022 Operating Account		<u>12,361</u>	
Total Assets			<u>153,398</u>

Liabilities

Paid Obligations:

Outstanding Checks	\$	80,165	
Liabilities		<u>42,583</u>	122,748

Unpaid Obligations:

Due To County Clerk For Salary Underpayment		374	
Tangible Personal Property Tax - State Treasurer		40,790	
Tangible Personal Property Tax - School District		16,542	
Delinquent Tax - Fire District		<u>17</u>	<u>57,723</u>

Total Liabilities			<u>180,471</u>
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Total Fund Deficit As of December 31, 2023			<u>\$ (27,073)</u>
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As a result, the county clerk's office did not have the funds needed to settle the 2023 fee account.

Strong internal controls and proper oversight procedures dictate that expenditures should be monitored closely and compared to budgets to ensure revenue is sufficient. If funds available are not sufficient to meet obligations, expenses must be reduced to compensate and to avoid overspending and a fund deficit.

We recommend the county clerk consult with the fiscal court and the county attorney to determine how to eliminate this deficit, up to and including using personal funds to pay the office's obligations that are currently outstanding.

*County Clerk's Response: The official did not provide a response.*

MARTIN COUNTY  
 SUSIE SKYLES, COUNTY CLERK  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended December 31, 2023  
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY: (Continued)

2023-003 The Martin County Clerk Has A Deficit Of \$7,558 In Her 2022 Official Bank Account

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The county clerk overspent funds that were available in calendar year 2022.

The deficit is primarily due to a lack of internal controls over the reconciliation process. Near the end of the calendar year, the county clerk found that she did not have enough funds to pay outstanding liabilities due to the taxing districts. The county clerk borrowed \$30,000 from her 2023 operating account to pay the outstanding tax liabilities owed. The 2022 fee account paid \$17,639 of the amount borrowed, leaving a balance due of \$12,361 from the 2022 operating account. Although the county clerk did not exceed budgeted operating expenditures, she failed to recognize revenue was not sufficient to cover her expenditures. The county clerk did not review monthly bank balances to determine if there were sufficient funds to pay outstanding liabilities. The following schedule details the fund deficit as of December 31, 2023:

Assets

Cash in Bank	\$ 124
Due from Fiscal Court for Training Incentive Pay	<u>4,679</u>
Total Assets	<u>4,803</u>

Liabilities

Unpaid Obligations:

Due to 2023 Fee Account	<u>12,361</u>
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Total Liabilities	<u>12,361</u>
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Total Fund Deficit As of December 31, 2022	<u>\$ (7,558)</u>
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As a result, the county clerk owes the 2023 operating account \$12,361.

Strong internal controls and proper oversight procedures dictate that expenditures should be monitored closely and compared to budgets to ensure revenue is sufficient. If funds available are not sufficient to meet obligations, expenses must be reduced to compensate and to avoid overspending and a fund deficit.

We recommend the county clerk consult with the fiscal court and the county attorney to determine how to eliminate this deficit, up to and including using personal funds to pay the office's obligations that are currently outstanding.

*County Clerk's Response: The official did not provide a response.*