

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

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



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

Independent Auditor's Report

The Honorable Ray S. Jones II, Pike County Judge/Executive
The Honorable Darrell Pugh, Pike County Clerk
Members of the Pike 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 Pike 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 Pike County Clerk and the receipts, disbursements, and fund balances of the Pike 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 Pike 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 Pike 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 Ray S. Jones II, Pike County Judge/Executive
The Honorable Darrell Pugh, Pike County Clerk
Members of the Pike 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 Pike 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 Pike 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 Pike 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 Pike County Clerk's ability to continue as a going concern for a reasonable period of time.

The Honorable Ray S. Jones II, Pike County Judge/Executive
The Honorable Darrell Pugh, Pike County Clerk
Members of the Pike 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.

Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2026, on our consideration of the Pike 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 Pike 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 Pike County Clerk Has A Deficit Of \$15,583 In His Official 2024 Fee Account
- 2024-002 The Pike County Clerk's Office Lacked Oversight Over Receivables That Led To A Deficit Of \$15,583

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, KY

March 23, 2026

PIKE COUNTY
 DARRELL PUGH, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2024

Receipts

State Grants	\$	18,403
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State Fees For Services		69,831
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Fiscal Court		6,492
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	1,772,007
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Usage Tax		5,150,975
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Tangible Personal Property Tax		7,385,556
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Notary Fees		4,408
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Other-

Fish and Game Licenses		4,219
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Marriage Licenses		13,770
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Occupational Licenses		2,363
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Deed Transfer Tax		91,355
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Delinquent Tax	2,622,046	17,046,699
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		57,406
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Real Estate Mortgages		56,217
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Chattel Mortgages and Financing Statements		111,637
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Powers of Attorney		4,650
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Affordable Housing Trust		38,094
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All Other Recordings		94,706
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Charges for Other Services-

Candidate Filing Fees		1,200
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Copy Work		15,505
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Postage		33,724
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Library and Archives		9,212
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Document Storage Fee		68,260
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Miscellaneous		14,728
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Refunds	85,069	590,408
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The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
DARRELL PUGH, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2024
(Continued)

Receipts (Continued)

Other:

Redeposits	\$ 21,204	\$ 21,204
Interest Earned		1,361
Total Receipts		17,754,398

Disbursements

Payments to State:

Motor Vehicle-		
Licenses and Transfers	\$ 1,284,139	
Usage Tax	4,990,049	
Tangible Personal Property Tax	3,508,103	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	4,096	
Delinquent Tax	157,146	
Legal Process Tax	40,190	
Affordable Housing Trust	38,094	10,021,817

Payments to Fiscal Court:

Tangible Personal Property Tax	570,991	
Delinquent Tax	258,745	
Deed Transfer Tax	86,792	
Occupational Licenses	1,954	
Beer and Liquor Licenses	68,260	986,742

Payments to Other Districts:

Tangible Personal Property Tax	3,011,289	
Delinquent Tax	1,352,139	4,363,428

Payments to Sheriff		211,381
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The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
DARRELL PUGH, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS
For The Year Ended December 31, 2024
(Continued)

Disbursements (Continued)

Other Regulatory Payments:

Other Refunds	\$	171,949	
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Payments to County Attorney			347,190
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Other Disbursements:

Recorded Instruments Grant	\$	18,403	
Insufficient Funds Checks		<u>30,723</u>	<u>49,126</u>

Total Disbursements			<u>\$ 16,151,633</u>
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Net Receipts			1,602,765
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Payments to State Treasurer:

75% Operating Fund *		1,206,883	
25% County Fund		<u>378,560</u>	<u>1,585,443</u>

Balance Due at Completion of Audit			<u><u>\$ 17,322</u></u>
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* Includes reimbursed expenses in the amount of \$109,525 for the audit period.
See Note 1 of Notes to Financial Statements.

PIKE COUNTY
 DARRELL PUGH, 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	\$ 128,481	\$	\$ 128,481
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,206,883		1,206,883
Fees Paid to State - County Funds (25%)		378,560	378,560
Total Funds Available	1,335,364	378,560	1,713,924
<u>Disbursements</u>			
Pike County Fiscal Court		375,428	375,428
Personnel Services-			
Official's Statutory Maximum	120,972		120,972
Official's Expense Allowance	3,600		3,600
Official's Training Incentive	2,576		2,576
Deputies' Salaries	507,002		507,002
Overtime Gross	29,055		29,055
Employee Benefits-			
Employer's Share Social Security	49,849		49,849
Employer's Share Retirement	134,492		134,492
Employer's Share Health Insurance	150,446		150,446
Employer's Share Life Insurance	5,921		5,921
Workers' Compensation	680		680
Unemployment Insurance	3,723		3,723
Other Payroll Disbursements	3,450		3,450
Supplies and Materials-			
Office Supplies	38,382		38,382
Software Maintenance	26,948		26,948

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

PIKE COUNTY
 DARRELL PUGH, 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>Disbursements (Continued)</u>			
Other Charges-			
Miscellaneous	\$ 364	\$	\$ 364
Postage	16,931		16,931
Telephone	6,543		6,543
Gasoline	106		106
Capital Outlay-			
Office Equipment	6,931		6,931
Computer Equipment	15,900		15,900
Total Disbursements	<u>1,123,871</u>	<u>375,428</u>	<u>1,499,299</u>
Fund Balance - December 31, 2024	<u>\$ 211,493</u>	<u>\$ 3,132</u>	<u>\$ 214,625</u>

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

PIKE 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).

PIKE 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 \$151,002, calendar year 2023 was \$153,350, and calendar year 2024 was \$134,492. 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>.

PIKE 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 Pike 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 Pike 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 Grants

- A. The Pike County Clerk's Office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$10,909. Funds totaling \$10,909 were expended during the year. The unexpended grant balance was \$0, as of December 31, 2024.
- B. The Pike County Clerk's Office received an e-recording grant from the Kentucky Department for Local Government in the amount of \$162,758. Funds totaling \$7,494 were expended during the year. The unexpended grant balance was \$155,264, as of December 31, 2024.

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

Note 5. Commitments: - Lease Agreements

The Pike County Clerk's Office was committed to the following lease agreements as of December 31, 2024

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance December 31, 2024
Postage Meter	April 1, 2023	36	Quarterly	April 1, 2026	\$ 417	\$ 1,269
Copier	June 1, 2023	60	Monthly	June 1, 2026	\$ 263	\$ 4,728
Copier	June 1, 2021	60	Monthly	June 1, 2026	\$ 160	\$ 2,872

Note 6. Imprest Cash Account

The Finance & Administration – County Fee Systems Branch authorized the Pike County Clerk to administer an Imprest Cash Fund in the amount of \$922. 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 turnaround, except travel and payroll expenses.

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 Ray Jone II, Pike County Judge/Executive
The Honorable Darrell Pugh, Pike County Clerk
Members of the Pike 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 Pike 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 March 23, 2026. The Pike 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 Pike 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 Pike County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pike 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 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 statements 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.



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 Pike 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 Pike County Clerk's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Pike 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

March 23, 2026

SCHEDULE OF FINDINGS AND RESPONSES

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PIKE COUNTY
DARRELL PUGH, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2024

2024-001 The Pike County Clerk Has A Deficit Of \$15,583 In His Official 2024 Fee Account

The Pike County Clerk has a deficit of \$15,583 in the official 2024 fee account. The deficit is due to a lack of internal controls over accounts receivables process (see finding 2024-002). At the end of the calendar year, the county clerk had unpaid obligations of \$17,322 that he owed to the state for his 75% operating account but only had a bank balance of \$1,739. The shortfall was caused by a car dealership owing the count clerk \$15,583 for processed motor vehicle transactions that remained unpaid as of December 31, 2024. At the end of the year, the county clerk found that he did not have enough funds in his account and therefore shorted the amount of fees due to the state from his 75% account. The county clerk failed to recognize that the revenue was not sufficient to pay tax districts each month when the payments were due resulting in the deficit. The following schedule details the fund deficit as of December 31, 2024:

Assets

Cash in Bank	\$ 471,795
Deposits in Transit	83,239
Receivables:	<u>23,700</u>
Total Assets	<u>578,734</u>

Liabilities

Paid Obligations:	
Outstanding Checks	<u>\$ 576,995</u>
Total Paid Obligations	<u>576,995</u>
Total Unpaid Obligations	<u>17,322</u>
Total Liabilities	<u>594,317</u>
Total Fund Deficit as of December 31, 2024	<u>\$ (15,583)</u>

As a result, the county clerk's office did not have the funds needed to settle the 2024 fee account.

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 64.345(3) states "Each officer shall, on the first day of each month, send to the Finance and Administration Cabinet a statement, subscribed and sworn to by him, showing the amount of money received or collected by or for him the preceding month as fees or compensation for official duties and shall, with these statements, send to the Finance and Administration Cabinet the amount so collected or received." Strong internal controls and proper oversight procedures dictate that receivables should be monitored closely and compared to actual receipts to ensure that all receivable due are collected in a timely manner.

PIKE COUNTY
 DARRELL PUGH, COUNTY CLERK
 SCHEDULE OF FINDINGS AND RESPONSES
 For The Year Ended December 31, 2024
 (Continued)

2024-001 The Pike County Clerk Has A Deficit Of \$15,583 In His Official 2024 Fee Account (Continued)

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 deficit was a result of the 2024-year end. This therefore created a timing issue that delayed the completion of the transaction.

Auditor's Reply: KRS 64.345 (3) requires the payment of all fees due to the clerk's 75% operating account to be paid monthly. Failure to realize that fees and taxes were not properly collected by year end was due to a lack of oversight and weak internal controls that led to the deficit.

2024-002 The Pike County Clerk's Office Lacked Oversight Over Receivables That Led To A Deficit Of \$15,583

During the year, the county clerk started receiving a significant amount of business from a car dealership and assigned an employee to oversee the processing. When the dealership sent the paperwork to title and license these vehicles, the employee would work up the transactions, issue a debt slip in the system and then send the dealership the paperwork without the collection of funds. At the end of the month, the bookkeeper would prepare her monthly reports and issue payments to the taxing districts without realizing that this dealership was not current with the funds owed to the county clerk. Throughout the year, this dealership accumulated over \$30,000 of unpaid debit slips and, at the end of calendar year 2024, the dealership still owed the Pike County Clerk \$15,583. The county clerk did not have proper internal controls and oversight over this dealer's accounts receivable. This lack of internal controls and oversight has led to a deficit of \$15,583 in the calendar year 2024 fee account.

KRS 64.345(3) states "Each officer shall, on the first day of each month, send to the Finance and Administration Cabinet a statement, subscribed and sworn to by him, showing the amount of money received or collected by or for him the preceding month as fees or compensation for official duties and shall, with these statements, send to the Finance and Administration Cabinet the amount so collected or received."

KRS 186.230 requires the clerk to collect the motor vehicle license fees due to the state and report and remit each Monday to the Transportation Cabinet all moneys collected during the previous week, together with an electronic copy of all receipts issued by the clerk during the same period. The clerk shall make all forms of payment payable to the State Treasurer."

KRS 134.815 (1) states "The county clerk shall, by the tenth of each month, report under oath and pay to the state, county, city, urban-county government, school, and special taxing districts all ad valorem taxes on motor vehicles collected by him for the preceding month, less the collection fee of the county clerk, which shall be deducted before payment to the depository. The county clerk shall be required to deposit state collections in a manner consistent with procedures established by the department for the prompt payment to the state of other state tax moneys collected by the county clerk."

Additionally, reconciling accounts receivable and ensuring all fees are collected is a basic internal control necessary to ensure the accuracy and reliability of financial reporting to state agencies and determining the amount of fees due to the clerk's 75% operating account.

PIKE COUNTY
DARRELL PUGH, COUNTY CLERK
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2024
(Continued)

2024-002 The Pike County Clerk's Office Lacked Oversight Over Receivables That Led To A Deficit Of \$15,583 (Continued)

We recommend the county clerk implement procedures to oversee and reconcile the processing of debt slips and collection of payment at the end of every month before payments are made to taxing districts.

County Clerk's Response: The deficit was a result of the 2024-year end. This therefore created a timing issue that delayed the completion of the transaction.

Auditor's Reply: The statutes above detail the timeline for depositing all taxes and fees due to the state, taxing districts, and the clerk's fee account. Failure to collect the funds from the car dealership caused the county clerk to have insufficient funds in his bank account to pay all the fees and taxes owed, therefore he shorted the amount due to his 75% operating account to cover the shortage.