

**REPORT OF THE AUDIT OF THE
CALDWELL COUNTY
CLERK**

**For The Year Ended
December 31, 2015**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
CALDWELL COUNTY CLERK

For The Year Ended
December 31, 2015

The Auditor of Public Accounts has completed the Caldwell County Clerk's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statement presents fairly in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$8,418 from the prior year, resulting in excess fees of \$65,624 as of December 31, 2015. Receipts decreased by \$29,055 from the prior year and disbursements decreased by \$37,473.

Report Comments:

- 2015-001 The Caldwell County Clerk's Office Lacks Segregation Of Duties Over Accounting Functions
- 2015-002 The County Clerk Failed To Timely Submit The 2015 Fourth Quarter Financial Report
- 2015-003 The County Clerk Failed To Collect All Customer Charges And Owes Additional Excess Fees
- 2015-004 The County Clerk Did Not Prepare Franchise Tax Bills Timely

Deposits:

The county clerk's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ellen Dunning, Caldwell County Judge/Executive
The Honorable Toni Watson, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the County Clerk of Caldwell County, Kentucky, for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility 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 as described in Note 1. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



The Honorable Ellen Dunning, Caldwell County Judge/Executive
The Honorable Toni Watson, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Caldwell 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, 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.

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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Caldwell County Clerk, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the Caldwell County Clerk for the year ended December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the Caldwell County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 entity's internal control over financial reporting and compliance.

The Honorable Ellen Dunning, Caldwell County Judge/Executive
The Honorable Toni Watson, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2015-001 The Caldwell County Clerk's Office Lacks Segregation Of Duties Over Accounting Functions
- 2015-002 The County Clerk Failed To Timely Submit The 2015 Fourth Quarter Financial Report
- 2015-003 The County Clerk Failed To Collect All Customer Charges And Owes Additional Excess Fees
- 2015-004 The County Clerk Did Not Prepare Franchise Tax Bills Timely

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

November 29, 2016

CALDWELL COUNTY
 TONI WATSON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State Grants	\$	17,779
HB 537 Revenue Supplement		65,767
State Fees For Services		6,409
Fiscal Court		5,338

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	505,342
Usage Tax		949,359
Tangible Personal Property Tax		1,163,284
Lien Fees		7,032

Other-

Fish and Game Licenses		8,104
Marriage Licenses		3,692
City Vehicle Tax		34,013
Deed Transfer Tax		33,200
Delinquent Tax		110,053
		2,814,079

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	12,167
Real Estate Mortgages	18,989
Chattel Mortgages and Financing Statements	39,377
Powers of Attorney	1,030
Affordable Housing Trust	13,788
All Other Recordings	6,304

Charges for Other Services-

Libraries and Archives	3,154
Copywork	3,089
Notary Fee	3,854
Postage	912
Overpayments	941
Miscellaneous	4,677
	108,282

Interest Earned	214
Total Receipts	3,017,868

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

CALDWELL COUNTY
 TONI WATSON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 368,707	
Usage Tax	920,878	
Tangible Personal Property Tax	395,703	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	7,898	
Delinquent Tax	11,647	
Legal Process Tax	11,822	
Marriage Licenses	1,425	
Affordable Housing Trust	<u>13,788</u>	\$ 1,731,868

Payments to Fiscal Court:

Tangible Personal Property Tax	129,671	
Delinquent Tax	10,280	
Deed Transfer Tax	<u>31,540</u>	171,491

Payments to Other Districts:

Tangible Personal Property Tax	591,699	
Delinquent Tax	53,004	
City Of Princeton-City Stickers	<u>29,439</u>	674,142

Payments to Sheriff 9,045

Payments to County Attorney 14,967

Tax Bill Preparation 2,291

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries 157,909

Employee Benefits-

Employer's Share Social Security 17,887

Employer's Share Retirement 41,905

Employer's Paid Health Insurance 529

Contracted Services-

Miscellaneous 2,005

Advertising 128

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

CALDWELL COUNTY
 TONI WATSON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2015
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay (Continued):

Materials and Supplies-		
Office Supplies	\$ 3,505	
Other Charges-		
Conventions and Travel	1,762	
Dues	660	
Postage	4,391	
Telephone Expense	2,426	
Refunds	1,164	
Bad Debt Expense	827	
Miscellaneous	2,919	
Libraries and Archives Grant	<u>17,779</u>	\$ 255,796
Capital Outlay -		
Office Equipment		<u>2,646</u>
Total Disbursements		2,862,246
Less: Disallowed Disbursement		
Clerk Overpayment- Travel		<u>295</u>
Total Allowable Disbursements		<u>\$ 2,861,951</u>
Net Receipts		155,917
Less: Statutory Maximum		<u>82,752</u>
Excess Fees		73,165
Less: Expense Allowance	3,600	
Training Incentive Benefit	<u>3,941</u>	<u>7,541</u>
Excess Fees Due County for 2015		65,624
Payment to Fiscal Court - March 15, 2016		<u>64,598</u>
Balance Due Fiscal Court at Completion of Audit *		<u><u>\$ 1,026</u></u>

* - The county clerk presented a check to the fiscal court for additional excess fees on August 23, 2016.

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

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2015

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, including excess fees, due from the county clerk as determined by the audit. KRS 64.152 requires the county clerk to settle excess fees with the Fiscal Court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which 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), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2015

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the county treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in the following, including but not limited to, 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).

CALDWELL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2015
 (Continued)

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

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 the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2014, 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. Members contribute five percent (nonhazardous) of their annual creditable compensation and 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 Board 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 (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county clerk's contribution for calendar year 2013 was \$47,900, calendar year 2014 was \$45,032, and calendar year 2015 was \$41,905.

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.

CERS also 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:

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

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

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

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

Note 3. Deposits

The Caldwell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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.

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 Caldwell County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Libraries and Archives Grant

The Caldwell County Clerk's office received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$17,684 on September 11, 2011. The beginning balance of the grant account as of January 1, 2015 was \$17,770. Interest of \$9 was received during calendar year 2015. Funds totaling \$17,779 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2015.

CALDWELL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2015
(Continued)

Note 5. Escrow Account

The Caldwell County Clerk maintains a separate account for unclaimed funds resulting from refunds and overpayments. The clerk's escrowed amounts are as follows:

CY 2013	\$79
CY 2014	\$57
CY 2015	\$43

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned. Abandoned funds are required to be sent to the Kentucky State Treasurer pursuant to KRS 393.110.

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Ellen Dunning, Caldwell County Judge/Executive
The Honorable Toni Watson, Caldwell County Clerk
Members of the Caldwell County Fiscal Court

**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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the Caldwell County Clerk for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated November 29, 2016. The Caldwell 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Caldwell County Clerk's internal control over financial reporting (internal control) to determine the 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 Caldwell County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caldwell 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 comments and recommendations, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2015-001 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)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Caldwell 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-002, 2015-003, and 2015-004.

County Clerk's Responses to Findings

The Caldwell County Clerk's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Caldwell County Clerk's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

November 29, 2016

COMMENTS AND RECOMMENDATIONS

CALDWELL COUNTY
TONI WATSON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2015

INTERNAL CONTROL - MATERIAL WEAKNESS:

2015-001 The County Clerk's Office Lacks Segregation Of Duties Over Accounting Functions

The county clerk collects payments from customers, prepares deposits, writes checks, posts transactions to the receipts and disbursements ledgers, prepares monthly bank reconciliations, and prepares all monthly and quarterly reports. The county clerk performs all accounting functions without any documented independent review. Lack of oversight could result in the undetected misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government. The segregation of duties or the implementation of compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The county clerk should separate the duties involved in receiving cash, preparing deposits, writing checks, posting to ledgers, preparing monthly bank reconciliations, and comparing financial reports to ledgers. If this is not feasible, cross-checking procedures should be implemented and documented by the individual performing the procedure.

County Clerk Toni Watson's Response: Have new employee since 2016 who helped with segregation of duties. Expect to continue improvement.

STATE LAWS AND REGULATIONS:

2015-002 The County Clerk Failed To Timely Submit The 2015 Fourth Quarter Financial Report

The county clerk's calendar year 2015 fourth quarter financial report was not submitted to the State Local Finance Officer by the 30th day following the close of the fourth quarter. The county clerk did not complete the fourth quarter financial report until March 15, 2016. The county clerk is not in compliance with the uniform system of accounts filing requirements. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This system of accounts requires that fee official quarterly financial report should be submitted by the 30th day following the close of each quarter. The county clerk should ensure that all quarterly financial reports are submitted to the State Local Finance Officer by the 30th day following the close of each quarter.

County Clerk Toni Watson's Response: Deadline was not met. Out of the office at first of year. More timely reports will be made in 2016.

CALDWELL COUNTY
TONI WATSON, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2015
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2015-003 The County Clerk Failed To Collect All Customer Charges And Owes Additional Excess Fees

The county clerk owed \$724 to the fiscal court for official business performed but not collected from customers prior to making settlement with the fiscal court. The county clerk allowed customers to charge transactions, but failed to collect accounts receivable of \$489 prior to making settlement with fiscal court for calendar year 2015. Payments from customers totaling \$235 were collected from customers, but these funds were incorrectly deposited into the calendar year 2016 account. The fiscal court was not given all excess fees due for calendar year 2015. Additionally, customers were allowed to avoid late fees and penalties. KRS 64.152 states, “(1) In counties containing a population of less than seventy-five thousand (75,000), the county clerk shall provide to the fiscal court by March 15 of each year a complete statement for the preceding calendar year of all funds received by his office in an official capacity or for official services, and of all expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses. (2) At the time of filing the statement required by subsection (1) of this section, the clerk shall pay to the fiscal court any income of his office, including income from investments, which exceeds the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation of deputies and assistants.” The county clerk should reconcile and collect all accounts receivable monthly. All accounts receivable should be authorized by the county clerk. All accounts receivable should be collected and deposited into the correct calendar year fee account and then any excess should be remitted to the fiscal court in accordance with KRS 64.152.

County Clerk Toni Watson's Response: Was late collecting receivables. In prior years had rolled over to next year and collected. All excess fees collected and paid to Fiscal Court.

2015-004 The County Clerk Did Not Prepare Franchise Tax Bills Timely

The county clerk did not prepare franchise tax bills in a timely manner after receiving franchise certifications from the Commonwealth of Kentucky Department of Revenue (DOR). Thirteen franchise bills certified by the DOR between January 2015 and June 2015 were not created by the county clerk until after August 1, 2015, and one franchise tax bill certified in May 2015 has not been billed as of August 7, 2016. The county and other taxing districts did not receive taxes due in the correct fiscal year. Additionally, the sheriff's office did not receive franchise commissions earned in the proper period. In accordance with KRS 133.220, the county clerk is the local official responsible for the preparation of property tax bills each year. The *County Clerk's Office Manual For Public Service (Franchise) Companies & Other Centrally Assessed Companies Prepared By The Public Service Branch Division of State Valuation Office of Property Valuation Department of Revenue* states, “[w]hen these certifications are received, a franchise property tax bill needs to be generated as soon as possible. Unlike the regular county tax bills, the state portion of franchise bills is prepared and billed directly from the Department of Revenue. Therefore, only local property taxes will appear on a franchise tax bill that is prepared by the clerk's office.” We recommend the county clerk prepare franchise tax bills as soon as reasonably possible after receiving the DOR certifications.

County Clerk Toni Watson's Response: Had problems with the e-mail system. Now have an additional employee working on franchise bills which should be a more timely system.

