

**REPORT OF THE AUDIT OF THE
CLARK COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2020**



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CLARK COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	9
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	31
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	35
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
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 <i>GOVERNMENT AUDITING STANDARDS</i>	41
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	51
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Henry Branham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Clark County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Clark County Fiscal Court's financial statement as listed in the table of contents.

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 Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. 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 Fiscal Court Audits* 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.



To the People of Kentucky
The Honorable Andy Beshear, Governor
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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 Clark County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government 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.

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 the Clark County Fiscal Court as of June 30, 2020, 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 fund balances of the Clark County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Clark County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such 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 Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Henry Branham, Clark County Judge/Executive
 Members of the Clark County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021, on our consideration of the Clark County Fiscal Court'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 Clark County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discusses the following report findings:

- 2020-001 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2020-002 The Clark County Jail Lacks Segregation Of Duties Over Disbursements
- 2020-003 The Clark County Jailer Did Not Deposit Receipts Daily Or Ensure Receipts Were Accounted For Properly
- 2020-004 The Clark County Fiscal Court Failed To Properly Reconcile The Payroll Revolving Accounts
- 2020-005 The Clark County Fiscal Court Failed To Segregate All Accounting Duties
- 2020-006 The Clark County Fiscal Court Failed To Properly Disclose Debt On The Quarterly Financial Reports
- 2020-007 The Clark County Fiscal Court Did Not Prepare A Schedule Of Expenditure Of Federal Awards (SEFA) Timely And Did Not Submit It To DLG
- 2020-008 The Clark County Fiscal Court Lacks Adequate Internal Controls Over Federal Programs
- 2020-009 The Clark County Fiscal Court Submitted Ineligible Expenses For Reimbursement For The COVID-19 Coronavirus Relief Fund

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

November 1, 2021

CLARK COUNTY OFFICIALS
For The Year Ended June 30, 2020

Fiscal Court Members:

Henry Branham (October 22, 2021 - present)	County Judge/Executive
Chris Pace (July 1, 2019 - October 14, 2021)	Former County Judge/Executive
Daniel Konstantopoulos	Magistrate
Greg Elkins	Magistrate
Joe Graham	Magistrate
Robert Blanton	Magistrate
Travis Thompson	Magistrate
Christopher Davis	Magistrate

Other Elected Officials:

Williams Elkins	County Attorney
Frank Doyle	Jailer
Michelle Turner	County Clerk
Martha M. Miller	Circuit Court Clerk
Berl Perdue Jr.	Sheriff
Jason Neely	Property Valuation Administrator
Robert Gayheard	Coroner

Appointed Personnel:

Alicia Mayabb (September 9, 2020 - present)	County Treasurer
Cheryl Wills (July 16, 2020 - September 9, 2020)	Former County Treasurer
Shea Champ (March 17, 2020 - July 15, 2020)	Former County Treasurer
Jerry Madden (April 17, 2013 - March 11, 2020)	Former County Treasurer
Aric Kaskey (June 25, 2021 - present)	Finance Officer
Cheryl Wills (April 17, 2020 - May 25, 2021)	Former Finance Officer
Frankie Faulkner (November 30, 2012 - March 17, 2020)	Former Finance Officer

**CLARK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2020

CLARK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 7,081,443	\$	\$
In Lieu Tax Payments	26,802		
Excess Fees	132,755		
Licenses and Permits	63,467		
Intergovernmental	876,588	1,981,086	1,704,242
Charges for Services	64,418	65,672	323,419
Miscellaneous	286,408	18,587	194,724
Interest	40,345	20,782	
Total Receipts	<u>8,572,226</u>	<u>2,086,127</u>	<u>2,222,385</u>
DISBURSEMENTS			
General Government	2,302,640		
Protection to Persons and Property	3,914,619		2,525,690
General Health and Sanitation	472,175		
Social Services	80,755		
Recreation and Culture	250,095		
Roads		933,690	
Debt Service	97,874	55,883	50,790
Capital Projects		601,730	
Administration	847,642	208,440	737,126
Total Disbursements	<u>7,965,800</u>	<u>1,799,743</u>	<u>3,313,606</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>606,426</u>	<u>286,384</u>	<u>(1,091,221)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	107,034		
Transfers From Other Funds			1,069,904
Transfers To Other Funds	(1,569,904)		
Total Other Adjustments to Cash (Uses)	<u>(1,462,870)</u>		<u>1,069,904</u>
Net Change in Fund Balance	(856,444)	286,384	(21,317)
Fund Balance - Beginning	<u>2,468,056</u>	<u>685,148</u>	<u>21,322</u>
Fund Balance - Ending	<u>\$ 1,611,612</u>	<u>\$ 971,532</u>	<u>\$ 5</u>
Composition of Fund Balance			
Bank Balance	\$ 1,545,489	\$ 1,007,432	\$ 42,957
Revolving Payroll Account Balance	145,023		
Less: Outstanding Checks	(78,900)	(35,900)	(42,952)
Fund Balance - Ending	<u>\$ 1,611,612</u>	<u>\$ 971,532</u>	<u>\$ 5</u>

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

CLARK COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Local Government Economic Assistance Fund	Budgeted Funds		Unbudgeted Fund		Total Funds
	ABC Fund	Special Reserve Fund	Jail Commissary Fund		
\$	\$	\$	\$	\$	7,081,443
					26,802
					132,755
	1,450				64,917
108,823					4,670,739
					453,509
		267,010	126,043		892,772
3,067		13,187	12		77,393
111,890	1,450	280,197	126,055		13,400,330
					2,302,640
					6,440,309
					472,175
					80,755
		87,527	134,661		472,283
					933,690
					204,547
157,490		3,250			762,470
					1,793,208
157,490		90,777	134,661		13,462,077
(45,600)	1,450	189,420	(8,606)		(61,747)
					107,034
		500,000			1,569,904
					(1,569,904)
		500,000			107,034
(45,600)	1,450	689,420	(8,606)		45,287
186,214	27,382	540,860	29,659		3,958,641
\$ 140,614	\$ 28,832	\$ 1,230,280	\$ 21,053	\$	4,003,928
\$ 140,614	\$ 28,832	\$ 1,230,280	\$ 27,976	\$	4,023,580
			(6,923)		145,023
					(164,675)
\$ 140,614	\$ 28,832	\$ 1,230,280	\$ 21,053	\$	4,003,928

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	9
NOTE 2.	DEPOSITS	11
NOTE 3.	TRANSFERS.....	12
NOTE 4.	CUSTODIAL FUNDS	12
NOTE 5.	LONG-TERM DEBT	12
NOTE 6.	CONTINGENCIES	17
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 8.	DEFERRED COMPENSATION.....	21
NOTE 9.	INSURANCE.....	21
NOTE 10.	CONDUIT DEBT.....	22
NOTE 11.	SUBSEQUENT EVENTS	22

**CLARK COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Clark County includes all budgeted and unbudgeted funds under the control of the Clark County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

ABC Fund - The primary purpose of this fund is to account for money received for alcoholic beverage licenses by the county.

Special Reserve Fund - The primary purpose of this fund is to account for money that is held for special purposes designated by the county.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Clark County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Clark County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Clark County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county 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).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court 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 fiscal court 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.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government 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 June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Total Transfers In
Jail Fund	1,069,904	1,069,904
Special Reserve Fund	500,000	500,000
Total Transfers Out	<u>\$ 1,569,904</u>	<u>\$ 1,569,904</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund(s):

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$122,651.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Lease Agreement - Revenue Bonds, Series 2017E

On November 15, 2017, the Clark County Fiscal Court obtained Financing Program Revenue Bonds, 2017E to finance the replacement and remodel of the courthouse bell tower, to purchase fire department equipment, and to purchase road department equipment. Each purpose of the fund usage is broken down into three separate payment schedules. The bell tower payments are semi-annual with payments being due on the 20th of the months of June and December each year until the final payment that is scheduled on December 20, 2037. The fire equipment and road equipment payments are semi-annual with payments being due on the 20th of the months of June and December each year until the final payment that is scheduled on December 20, 2027.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Lease Agreement - Revenue Bonds, Series 2017E (Continued)

The effective interest rate is 5.368 percent. In the case of default, the payments become due immediately and legal action may be pursued. The total principal balance was \$790,000 as of June 30, 2020. Future principal and interest requirements are:

Bell Tower		
Fiscal Year Ended June 30	Principal	Interest
2021	\$ 15,000	\$ 19,780
2022	20,000	18,868
2023	20,000	17,818
2024	20,000	16,767
2025	20,000	15,718
2026-2030	120,000	61,263
2031-2035	145,000	34,213
2036-2038	100,000	7,418
Totals	<u>\$ 460,000</u>	<u>\$ 191,845</u>

Fire Equipment		
Fiscal Year Ended June 30	Principal	Interest
2021	\$ 15,923	\$ 7,484
2022	15,923	6,648
2023	18,197	5,755
2024	18,197	4,800
2025	18,197	3,844
2026-2028	63,691	5,214
Totals	<u>\$ 150,128</u>	<u>\$ 33,745</u>

Road Equipment		
Fiscal Year Ended June 30	Principal	Interest
2021	\$ 19,077	\$ 8,966
2022	19,077	7,965
2023	21,803	6,895
2024	21,803	5,750
2025	21,803	4,606
2026-2028	76,309	6,249
Totals	<u>\$ 179,872</u>	<u>\$ 40,431</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Parking Lot Paving

In April 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT in the amount of \$620,000 for the purpose of refinancing the previous lease agreement, dated June 2010, in the amount of \$600,000. The amount of the lease was \$620,000, with principal and interest payments due monthly in varying amounts. Principal is scheduled to be paid in full January 2026. In the case of default, the payments become due immediately and legal action may be pursued. Principal outstanding as of June 30, 2020, was \$280,418. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 45,000	\$ 15,323
2022	47,083	13,059
2023	50,000	10,588
2024	52,083	7,962
2025	55,000	5,200
2026	31,252	2,027
Totals	<u>\$ 280,418</u>	<u>\$ 54,159</u>

3. Fire Truck

In July 2011, the Clark County Fiscal Court entered into a lease agreement with KACoLT to purchase a fire truck. The amount of the lease was \$213,498, with interest due monthly in varying amounts. Principal is to be repaid in ten annual payments of varying amounts, to be paid in full in October 2021. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2020, was \$28,466. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 21,350	\$ 940
2022	7,116	75
Totals	<u>\$ 28,466</u>	<u>\$ 1,015</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Jail Roof

The Clark County Fiscal Court entered into an agreement with KACoLT on August 31, 2015 to finance replacing the jail roof. The amount of the agreement was \$165,000 and the interest rate was fixed at 3.791 percent. Principal and interest payments are due annually on July 20. In the case of default, the payments become due immediately and legal action may be pursued. Principal outstanding as of June 30, 2020, was \$74,826. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 24,211	\$ 2,837
2022	24,935	1,919
2023	25,680	973
Totals	<u>\$ 74,826</u>	<u>\$ 5,729</u>

5. Fire Truck

The Clark County Fiscal Court entered into a lease agreement on March 3, 2016, with KACoLT to purchase a fire truck. The amount of the agreement was \$322,512 and the interest rate was fixed at 4.57 percent. Principal and interest payments are due semi-annually, to be paid in full in February 2026. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2020, was \$207,700. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 31,467	\$ 9,136
2022	32,664	7,684
2023	33,907	6,177
2024	35,197	4,613
2025	36,537	2,990
2026	37,928	1,304
Totals	<u>\$ 207,700</u>	<u>\$ 31,904</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

6. Boilers

The Clark County Fiscal Court entered into a lease agreement on April 18, 2017 with KACoLT to finance the purchase and replacement of boilers at the Detention Center. The amount of the agreement was \$142,660 and the interest rate was fixed at 3.828 percent. Principal and interest payments are due monthly, to be paid in full in June 2024. In the case of default, the payments become due immediately and legal action may be pursued. Principal outstanding as of June 30, 2020 was \$85,721. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 20,468	\$ 2,925
2022	21,097	2,130
2023	21,744	1,311
2024	<u>22,412</u>	<u>467</u>
Totals	<u>\$ 85,721</u>	<u>\$ 6,833</u>

7. Dump Truck

The Clark County Fiscal Court entered into an agreement on June 15, 2019, with National Cooperative Leasing to finance the purchase of a dump truck for the road department. The amount of the agreement was \$130,771 and the interest rate was fixed at 4.32 percent. Principal and interest payments are due annually, to be paid in full in June 2024. In the case of default, the payments become due immediately and the asset is held as collateral. Principal outstanding as of June 30, 2020, was \$106,780. Future principal and interest requirements are as follows:

Fiscal Year Ended June 30	Principal	Interest
2021	\$ 25,027	\$ 4,611
2022	26,107	3,531
2023	27,235	2,403
2024	<u>28,411</u>	<u>1,227</u>
Totals	<u>\$ 106,780</u>	<u>\$ 11,772</u>

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 1,782,929	\$	\$ 209,018	\$ 1,573,911	\$ 217,523
Total Long-term Debt	<u>\$ 1,782,929</u>	<u>\$ 0</u>	<u>\$ 209,018</u>	<u>\$ 1,573,911</u>	<u>\$ 217,523</u>

C. Aggregate Debt Schedule

Aggregate debt schedule is as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2021	\$ 217,523	\$ 72,002
2022	214,002	61,879
2023	218,566	51,920
2024	198,103	41,586
2025	151,537	32,357
2026 - 2030	329,180	76,057
2031 - 2035	145,000	34,216
2036 - 2038	100,000	7,419
Totals	<u>\$ 1,573,911</u>	<u>\$ 377,436</u>

Note 6. Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is 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.

The county's contribution for FY 2018 was \$1,131,921, FY 2019 was \$1,479,177, and FY 2020 was \$1,587,337.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS 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 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 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 KRS 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 4 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 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS 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.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 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 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 hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 39.58 percent.

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:

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%

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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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 161.714 with exception of COLA and retiree health benefits after July 2003.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen 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. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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 COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. 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.

E. 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.

F. 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.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

KRS 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.

KRS 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 8. Deferred Compensation

The Clark County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2020, the Clark County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CLARK COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 10. Conduit Debt

From time to time, the county has issued bonds to provide financial assistance to manufacturing companies for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Clark County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 11. Subsequent Events

On October 14, 2021, Clark County Judge Executive Chris Pace passed away. Magistrate Daniel Konstantopoulos was sworn in as acting judge executive on October 15, 2021. Henry Branham was appointed to fill out the unexpired term of Judge Pace on October 22, 2021.

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 7,194,700	\$ 7,194,700	\$ 7,081,443	\$ (113,257)
In Lieu Tax Payments	26,000	26,000	26,802	802
Excess Fees	98,712	98,712	132,755	34,043
Licenses and Permits	61,911	61,911	63,467	1,556
Intergovernmental	1,056,080	1,056,080	876,588	(179,492)
Charges for Services	60,000	60,000	64,418	4,418
Miscellaneous	274,888	274,888	286,408	11,520
Interest	40,000	40,000	40,345	345
Total Receipts	<u>8,812,291</u>	<u>8,812,291</u>	<u>8,572,226</u>	<u>(240,065)</u>
DISBURSEMENTS				
General Government	2,491,576	2,603,724	2,302,640	301,084
Protection to Persons and Property	4,784,212	4,868,618	3,914,619	953,999
General Health and Sanitation	551,251	569,642	472,175	97,467
Social Services	80,000	82,446	80,755	1,691
Recreation and Culture	254,700	254,700	250,095	4,605
Debt Service	101,200	101,200	97,874	3,326
Administration	1,271,223	1,053,832	847,642	206,190
Total Disbursements	<u>9,534,162</u>	<u>9,534,162</u>	<u>7,965,800</u>	<u>1,568,362</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(721,871)</u>	<u>(721,871)</u>	<u>606,426</u>	<u>1,328,297</u>
Other Adjustments to Cash (Uses)				
Payroll Revolving			107,034	107,034
Transfers To Other Funds	(642,219)	(642,219)	(1,569,904)	(927,685)
Governmental Leasing Act Receipts	630,000	630,000		(630,000)
Total Other Adjustments to Cash (Uses)	<u>(12,219)</u>	<u>(12,219)</u>	<u>(1,462,870)</u>	<u>(1,450,651)</u>
Net Change in Fund Balance	(734,090)	(734,090)	(856,444)	(122,354)
Fund Balance - Beginning	<u>734,090</u>	<u>734,090</u>	<u>2,468,056</u>	<u>1,733,966</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,611,612</u>	<u>\$ 1,611,612</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,703,788	\$ 1,703,788	\$ 1,981,086	\$ 277,298
Charges for Services			65,672	65,672
Miscellaneous	6,000	6,000	18,587	12,587
Interest	15,000	15,000	20,782	5,782
Total Receipts	<u>1,724,788</u>	<u>1,724,788</u>	<u>2,086,127</u>	<u>361,339</u>
DISBURSEMENTS				
Roads	1,153,130	1,030,870	933,690	97,180
Debt Service	61,000	61,000	55,883	5,117
Capital Projects	451,242	683,902	601,730	82,172
Administration	362,400	252,000	208,440	43,560
Total Disbursements	<u>2,027,772</u>	<u>2,027,772</u>	<u>1,799,743</u>	<u>228,029</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(302,984)</u>	<u>(302,984)</u>	<u>286,384</u>	<u>589,368</u>
Net Change in Fund Balance	(302,984)	(302,984)	286,384	589,368
Fund Balance - Beginning	<u>302,984</u>	<u>302,984</u>	<u>685,148</u>	<u>382,164</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 971,532</u>	<u>\$ 971,532</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 2,188,100	\$ 2,188,100	\$ 1,704,242	\$ (483,858)
Charges for Services	92,600	92,600	323,419	230,819
Miscellaneous	329,000	329,000	194,724	(134,276)
Total Receipts	<u>2,609,700</u>	<u>2,609,700</u>	<u>2,222,385</u>	<u>(387,315)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,531,981	2,564,373	2,525,690	38,683
Debt Service	51,131	50,790	50,790	
Administration	778,807	746,756	737,126	9,630
Total Disbursements	<u>3,361,919</u>	<u>3,361,919</u>	<u>3,313,606</u>	<u>48,313</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(752,219)</u>	<u>(752,219)</u>	<u>(1,091,221)</u>	<u>(339,002)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	642,219	642,219	1,069,904	427,685
Total Other Adjustments to Cash (Uses)	<u>642,219</u>	<u>642,219</u>	<u>1,069,904</u>	<u>427,685</u>
Net Change in Fund Balance	(110,000)	(110,000)	(21,317)	88,683
Fund Balance - Beginning	<u>110,000</u>	<u>110,000</u>	<u>21,322</u>	<u>(88,678)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5</u>	<u>\$ 5</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 108,823	\$ 48,823
Interest	1,600	1,600	3,067	1,467
Total Receipts	<u>61,600</u>	<u>61,600</u>	<u>111,890</u>	<u>50,290</u>
DISBURSEMENTS				
Capital Projects	<u>200,000</u>	<u>200,000</u>	<u>157,490</u>	<u>42,510</u>
Total Disbursements	<u>200,000</u>	<u>200,000</u>	<u>157,490</u>	<u>42,510</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(138,400)</u>	<u>(138,400)</u>	<u>(45,600)</u>	<u>92,800</u>
Net Change in Fund Balance	(138,400)	(138,400)	(45,600)	92,800
Fund Balance - Beginning	<u>138,400</u>	<u>138,400</u>	<u>186,214</u>	<u>47,814</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 140,614</u>	<u>\$ 140,614</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ABC FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 4,000	\$ 4,000	\$ 1,450	\$ (2,550)
Total Receipts	<u>4,000</u>	<u>4,000</u>	<u>1,450</u>	<u>(2,550)</u>
DISBURSEMENTS				
General Government	28,282	28,282		28,282
Total Disbursements	<u>28,282</u>	<u>28,282</u>		<u>28,282</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(24,282)</u>	<u>(24,282)</u>	1,450	<u>25,732</u>
Net Change in Fund Balance	(24,282)	(24,282)	1,450	25,732
Fund Balance - Beginning	<u>24,282</u>	<u>24,282</u>	<u>27,382</u>	<u>3,100</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,832</u>	<u>\$ 28,832</u>

CLARK COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	SPECIAL RESERVE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Miscellaneous	\$ 72,600	\$ 72,600	\$ 267,010	\$ 194,410
Interest	2,400	2,400	13,187	10,787
Total Receipts	<u>75,000</u>	<u>75,000</u>	<u>280,197</u>	<u>205,197</u>
DISBURSEMENTS				
Recreation and Culture	232,400	232,400	87,527	144,873
Capital Projects	317,600	317,600	3,250	314,350
Total Disbursements	<u>550,000</u>	<u>550,000</u>	<u>90,777</u>	<u>459,223</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(475,000)</u>	<u>(475,000)</u>	189,420	664,420
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			500,000	500,000
Total Other Adjustments to Cash (Uses)			<u>500,000</u>	<u>500,000</u>
Net Change in Fund Balance	(475,000)	(475,000)	689,420	1,164,420
Fund Balance - Beginning	475,000	475,000	540,860	65,860
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,230,280</u>	<u>\$ 1,230,280</u>

CLARK COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

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CLARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		\$	\$ 2,771
<i>Passed-Through Kentucky Department of Homeland Security</i>				
Emergency Management Performance Grants	97.042	2000001643		23,518
Chemical Stockpile Emergency Preparedness Program	97.040	2000000513		203,468
Total U.S. Department of Homeland Security				226,986
<u>U. S. Department of the Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 Coronavirus Relief Fund	21.019	2100000312		832,740
Total U.S. Department of Treasury				832,740
Total Expenditures of Federal Awards			\$ 0	\$ 1,062,497

The accompanying notes are an integral part of this schedule.

CLARK COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clark County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clark County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clark County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Clark County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CLARK COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2020

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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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Henry Branham, Clark County Judge/Executive
Members of the Clark 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 Changes in Fund Balances - Regulatory Basis of the Clark County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Clark County Fiscal Court's financial statement and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clark County Fiscal Court'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 Clark County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clark County Fiscal Court'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 Questioned Costs, we identified a certain deficiency in internal control that we consider to be 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 Questioned Costs as item 2020-003 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)

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 Questioned Costs as items 2020-001, 2020-002, 2020-004, 2020-005, 2020-006, and 2020-007 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clark County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003.

Views of Responsible Officials and Planned Corrective Action

Clark County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county'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,



Mike Harmon
Auditor of Public Accounts

November 1, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Henry Branham, Clark County Judge/Executive
Members of the Clark County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Clark County Fiscal Court's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Clark County Fiscal Court's major federal programs for the year ended June 30, 2020. Clark County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clark County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clark County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clark County Fiscal Court's compliance.

Opinion on Each Major Federal Program

In our opinion, Clark County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

The Clark County Fiscal Court's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Clark County Fiscal Court's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of Clark County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clark County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clark County Fiscal Court's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-008 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-009 to be a significant deficiency.

The Clark County Fiscal Court's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clark County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

November 1, 2021

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**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2020

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CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs [<i>unmodified</i>]:		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section II: Financial Statement Findings

2020-001 The Clark County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2019-001. The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The following deficiencies were noted during the testing of 44 disbursements:

- One disbursement was not included on the fiscal court claims list for approval,
- Twenty-two purchase orders were issued after the county staff received the invoice for payment,
- One expenditure over \$30,000 to a vendor in the jail fund was not bid and/or county staff did not maintain bid documentation.
- One bid expenditure in jail fund did not have any supporting documentation for the vendor.

The county did not have effective internal controls in place to ensure purchases/payments made by the fiscal court were supported by an authorized purchase order prior to service or goods being ordered, bills were presented to the fiscal court for approval before payment was issued, or purchases of \$30,000 or above were bid and proper bid documentation was maintained.

These internal control deficiencies resulted in a noncompliance with state law and the county's administrative code. When bills are not presented to the fiscal court prior to approval and purchases are not authorized with a purchase order prior to goods being ordered or services being rendered, the risk that the fiscal court is making improper payments without detection significantly increases. Also, when purchase orders are not used properly, then staff cannot correctly determine if operating budgets are being overspent or not.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "purchases shall not be made without approval by the judge/executive (or designee), and/or a department head . . . Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made." The Department for Local Government's guidance further requires purchase orders be issued for all disbursements.

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids."

We recommend the fiscal court implement procedures to ensure they follow their administrative policies and to be in compliance with state laws related to purchase orders, paying for disbursements with fiscal court approval and bidding projects.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Since the period under audit, there have been several personnel and position changes. We will work to adequately segregate these duties and will implement compensating controls when adequate segregation is not possible. We will follow all current bids laws for future purchases and keep adequate documentation for those bid projects.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-002 The Clark County Jail Lacks Segregation Of Duties Over Disbursements

The Clark County jail commissary bookkeeper's duties include collection of funds, preparing checks and posting disbursements to the accounting software, and completing the bank reconciliations. The Clark County Jailer has implemented compensating controls over these functions by reviewing deposits, reviewing bank reconciliations, dual signatures on checks, and documenting this review by signing or initialing supporting documentation. During testing, auditors noted that dual signatures were not completed on four of the sixteen checks tested and that one of the checks with dual signatures did not include the jailer's signature. The results of the test show that compensating controls were not effective.

The jailer does not have proper segregation of duties as part of the internal control procedures for the jail.

Failure to maintain adequate segregation of duties or implement compensating controls could lead to misstatements or theft. Without strong oversight and limited segregation of duties, this increases the risk for fraud or theft.

Effective internal controls require that a proper segregation of duties over accounting functions such as making deposits, preparing disbursements, and reconciling the bank account. Segregation of duties, or the implementation of compensating controls, is essential for providing protection to employees in the normal course of performing their daily responsibilities.

We recommend the Clark County Jailer segregate duties over disbursements processes to adequately protect employees in the normal course of business, and to prevent inaccurate financial reporting and misappropriation of assets. If it is not feasible for the duties to be segregated, then we recommend the jailer to implement compensating controls he has in place of dual signature.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will provide assistance if necessary to help the Jailer correct this issue.

County Jailer's Response: The jailer has hired a comptroller to work in conjunction with the secretary to separate the duties of collecting receipts, approving and preparing disbursements, recording the general ledger and reconciling the checking account and inmate accounts. It is a requirement that both the secretary and comptroller be present when emptying the kiosk, counting the receipts, and preparing the deposit. Other senior staff including the jailer will be trained and available to help in the event that either the secretary or comptroller is absent. The jailer will review the transactions to the third party commissary company's kiosk reports.

2020-003 The Clark County Jailer Did Not Deposit Receipts Daily Or Ensure Receipts Were Accounted For Properly

The Clark County Jailer did not deposit receipts on a daily basis. Monies were removed from kiosks and only deposited 8 times during the month tested. It was also noted that there were four deposits in the month tested, totaling \$31,633, that appear to be direct deposits that the bookkeeper is not aware of the purpose of the deposits. The bookkeeper did not complete a daily checkout and does not have a report from their accounting software to verify what makes up the deposits.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-003 The Clark County Jailer Did Not Deposit Receipts Daily Or Ensure Receipts Were Accounted For Properly (Continued)

The jailer did not have internal control procedures in place to ensure that all receipts are accounted for and supported properly or to ensure they are deposited daily. This results in increased risk of misstated receipts due to error or theft. Also, not making deposits daily is a violation of state law.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to make deposits intact on a daily basis to their financial institution.

Strong internal controls dictate that funds received for inmate accounts be reported on a daily collection report with supporting documentation showing receipts are posted to the proper inmate's account. This parallels DLG's guidance related to jail commissary funds on page 65, in the budget manual.

We recommend the jailer implement procedures to ensure all funds received are deposited daily, supported with a daily collection sheet, and maintain documentation showing the funds received for inmate accounts are posted when received to the proper inmate's account.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will provide assistance if necessary to help the Jailer correct this issue.

County Jailer's Response: Regarding failure to deposit receipts on a daily basis, the Clark County Detention Center uses a third-party vendor to receive monies for the benefit of inmates in our facility. The vendor has placed one secure kiosk in our lobby, and one in our booking area, and both are in view of security cameras. These kiosks are designed with the same strength and security features as an ATM machine and runs on software that creates its own record of funds received, and for which inmates' benefit. The records of receipts are independent and cannot be altered by the staff of the Detention Center. Three times during the week (Monday, Wednesday, and Friday), a minimum of two (2) staff members of the Detention Center opens the machines, retrieves the funds, counts the funds together, and prepares a deposit slip. That deposit is taken to [bank name redacted] by office staff and one other staff member, typically the Jailer or the Comptroller. Because the accounting for receipts is done by an independent third party, it is easy to review the receipts register to the actual deposit made at the bank. Jailer Doyle performs this review weekly and initials the deposits.

Our reason for not making a daily deposit is the low volume of activity with these machines and the lack of administrative staff to perform this task daily. We feel strongly that our internal controls, physical controls, and our protocols for handling this liquid asset, provides assurances that the asset is protected.

2020-004 The Clark County Fiscal Court Failed To Properly Reconcile The Payroll Revolving Accounts

This is a repeat finding and was included in the prior year audit report as finding 2019-004. Reconciliations for the payroll revolving account and fringe payroll account were not reconciled completely. The county failed to account for receivables and liabilities for an accurate reconciliation of revolving accounts. The payroll account and fringe account had reconciled balances of \$24,347 and \$82,687, respectively that will be included in the general fund ending balance.

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section II: Financial Statement Findings (Continued)

2020-004 The Clark County Fiscal Court Failed To Properly Reconcile The Payroll Revolving Accounts
(Continued)

The fiscal court did not have oversight and controls in place to ensure payroll revolving accounts were properly reconciled.

The balance as noted above results in there being an overage of funds that may be resources that the county could otherwise utilize elsewhere.

The payroll revolving account is a clearing account and should be reconciled to a zero balance, or set amount, at the end of each pay period. Therefore, only the exact amount needed to cover payroll expenditures should be transferred to the payroll account.

We recommend the county treasurer review the bank balances in the payroll revolving accounts and transfer the balances to the general fund or other fund as deemed appropriate, to eliminate the excess funds in the payroll revolving accounts. In the future, the county treasurer should only transfer enough funds to meet payroll obligations each pay period. We further recommend the county treasurer maintain written documentation of the reconciliation between the transfer checks written to the payroll accounts and the payroll register to ensure accurate amounts are transferred to the payroll accounts each pay period.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The current county treasurer is working to reconcile the payroll revolving accounts. Once they have been properly reconciled, new payroll accounts will be opened, and moving forward, controls will be put in place to ensure proper reconciliation in the future.

2020-005 The Clark County Fiscal Court Failed To Segregate All Accounting Duties

This is a repeat finding and was included in the prior year audit report as finding 2019-005. The fiscal court has segregated most of the accounting duties, but not all of them. The treasurer posts revenues to ledgers, posts disbursements to ledgers, signs disbursement checks, as well as reconciles bank accounts. There are some compensating controls in place, such as the judge/executive reviews the monthly report and reviews and initials bank statements, but these reviews were not on a consistent basis, therefore, compensating controls were not effective.

The county does not have segregation of accounting functions included as part of their internal control procedures. The lack of oversight could result in misappropriation of assets and inaccurate financial reporting to external agencies such as the Department for Local Government, which could occur but go undetected.

A segregation of duties over various accounting functions, such as opening mail, collecting receipts, preparing bank deposits, preparing reports and reconciliations, or the implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court segregate duties over receipts, disbursements, and bank reconciliation processes. If segregation of duties is not possible, then the fiscal court should implement consistent compensating controls by monitoring the financial activities of the fiscal court and maintain documentation of review.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-005 The Clark County Fiscal Court Failed To Segregate All Accounting Duties (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Since the period under audit, there have been several personnel and position changes. We will work to adequately segregate these duties and will implement compensating controls when adequate segregation is not possible.

2020-006 The Clark County Fiscal Court Failed To Properly Disclose Debt On The Quarterly Financial Reports

The county did not accurately report liabilities on the fourth quarter financial report. The ending balance that should have been reported on the fourth quarter financial report as of June 30, 2020, for principle and interest was \$1,573,911 and \$377,433, respectively. The amounts reported for principal and interest were \$1,177,809 and \$310,506, respectively. The difference resulted in a net overstatement of liabilities report of \$463,029.

The county failed to implement sufficient monitoring over the reporting process. By not correctly reporting for outstanding liabilities, the fiscal court cannot make effective management decisions as it relates to debt service outstanding each fiscal year.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts as set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. DLG's manual also requires the liabilities section of the fourth quarter financial report to be utilized for reporting all current long-term debt.

We recommend the fiscal court properly disclose all debt on the quarterly financial reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's response: The debt schedule has now been updated with correct amounts and procedures have been put in place to ensure proper reporting in the future.

2020-007 The Clark County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA) Timely and Did Not Submit It To DLG

The county did not prepare a schedule of expenditures of federal awards (SEFA) and submit it to the Department for Local Government (DLG) with their fourth quarter report. The current treasurer informed auditors that the SEFA the former treasurer completed could not be found. So, the current treasurer prepared a SEFA upon request by the auditors.

By not preparing a SEFA timely and submitting to DLG, the county has not timely and accurately assessed if a single audit is required. This may also increase the risk of the suspension of federal programs, if improper federal expenditures are made.

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section II: Financial Statement Findings (Continued)

2020-007 The Clark County Fiscal Court Did Not Prepare A Schedule Of Expenditures Of Federal Awards (SEFA) Timely and Did Not Submit It To DLG (Continued)

Uniform Guidance per § 200.510(b), requires the auditee to prepare a schedule of expenditures of federal awards covered by the auditee's financial statements. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414.

In addition, the Kentucky Department for Local Government (DLG) requires the schedule of expenditures of federal awards to be submitted at the end of the fiscal year when submitting the fourth quarter financial report.

We recommend the county prepare a schedule of expenditures of federal awards (SEFA) to be in compliance with federal uniform guidance requirements. Also, the SEFA should be submitted to DLG with the fourth quarter financial report as required.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This was on oversight when preparing and submitting the final documents for the fiscal year. A SEFA will be prepared and submitted timely for all future fiscal years.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section III: Federal Award Findings And Questioned Costs

2020-008 The Clark County Fiscal Court Lacks Adequate Internal Controls Over Federal Programs

Federal Program: CFDA #21.019 Covid-19 Coronavirus Relief Funds
 Federal Agency: U.S. Department of Treasury
 Pass Through Agency: Kentucky Department for Local Government
 Compliance Area: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
 Questioned Costs: None

The fiscal court did not implement adequate internal controls over federal programs. There were no procedures or review processes in place to ensure that compliance requirements were met for CFDA 21.019, Coronavirus Relief Fund. The fiscal court did not define, maintain, or periodically evaluate the skills and expertise needed among its members to enable them to ask relevant questions of financial staff related to the federal program oversight. Further, the fiscal court did not maintain an organizational structure that facilitated effective reporting and other communications about internal control over compliance among various functions and positions of management. The fiscal court did not have job descriptions for employees managing federal programs nor did they document significant processes that explain the flow of transactions, controls to address key risk areas, and related reporting responsibilities.

The fiscal court staff believed that they had appropriate procedures in place and did not realize that they were not sufficient. The fiscal court budgets for training in every department, however, training is not mandatory and the fiscal court does not ensure that training is sufficient for relevant employees. The fiscal court staff also believed that they were using job descriptions for employees outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, however, the positions of employees managing the federal programs are not outlined in the budget manual.

Failure to implement internal controls over federal programs creates a greater risk that compliance requirements will not be met and increases the risk of undetected errors in financial reporting, or misappropriation of federal funds due to fraud. Due to the lack of internal controls, the county was noncompliant with federal requirements over CFDA 21.019, resulting in ineligible expenditures, further described in finding 2020-010.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) §200.303 states: “[t]he non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designated as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.”

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-008 The Clark County Fiscal Court Lacks Adequate Internal Controls Over Federal Programs
(Continued)

Strong internal controls dictate that management should implement procedures to ensure that there is compliance with requirements related to federal funds received and expended, including providing adequate training to staff overseeing these procedures. To ensure these procedures are properly implemented by staff, the procedures should be in writing and easily accessible for staff to refer to while performing their job duties. Further, management should ensure that staff overseeing controls and compliance related to federal funds are continually and adequately trained to allow them to meet internal control and compliance requirements.

We recommend the fiscal court, in regards to controls over compliance for federal programs:

1. Implement procedures to ensure that expenditures related to the federal program meet all federal compliance requirements, including documented review procedures to ensure that all federal expenditures are allowable and fall within the correct period of performance,
2. Document job descriptions for all employees and significant processes that explain the flow of transactions, controls to address key risk areas, and related reporting responsibilities, and
3. Ensure that all employees receive sufficient training in relevant areas to ensure that they develop, and retain sufficient and competent personnel to oversee the federal program compliance.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Since the period under audit, there have been several personnel and position changes. We will work to adequately segregate these duties and will implement compensating controls when adequate segregation is not possible.

2020-009 The Clark County Fiscal Court Submitted Ineligible Expenses For Reimbursement For The COVID-19 Coronavirus Relief Fund

Federal Program: 21.019 COVID-19 Coronavirus Relief Fund

Award Number and Year: 2100000312, 2020

Name of Federal Agency and Pass-Through Agency: U.S. Department of the Treasury and Kentucky Department for Local Government

Compliance Requirements: Activities Allowed/Unallowed

Type of Finding: Noncompliance

Amount of Questioned Costs: \$19,773

The Clark County Fiscal Court submitted payroll expenses that did not qualify for reimbursement from the U.S. Department of Treasury's Coronavirus Relief Fund (CRF) passed through from the Commonwealth of Kentucky's Department of Local Government (DLG). During testing, the following questioned costs were noted, totaling \$19,773:

- FICA employer match calculation was incorrect on report submitted for reimbursement. When calculating FICA on the report submitted the former treasurer and finance officer did not use what was on the actual payroll summaries, but instead used a calculation in Excel. This calculation didn't take into account anything that needed to be backed out of FICA and resulting in \$668 too much being requested in reimbursement, and
- There was one instance of the wrong amount being submitted for retirement for an employee totaling \$19,105 too much requested.

CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-009 The Clark County Fiscal Court Submitted Ineligible Expenses For Reimbursement For The COVID-19 Coronavirus Relief Fund (Continued)

FICA Calculation:

While comparing the documentation sent to the Department for Local Government (DLG) for reimbursement and payroll summaries the auditor noted that for 27 employees there was a calculation for FICA on the reimbursement report that did not match the payroll summary reports. It was determined that FICA was overstated on the report submitted to DLG for reimbursement in the amount of \$668.

Retirement Calculation:

While comparing the documentation sent to the Department for Local Government (DLG) for reimbursement and payroll summaries the auditor noted that for one employees there was an error on the reimbursement report that did not match the payroll summary reports for the amount of retirement paid by the employer for the employee. It was determined that retirement was overstated on the report submitted to DLG for reimbursement in the amount of \$19,105.

The fiscal court did not have controls in place to ensure that staff knew the federal program requirements and did not monitor or review documentation to make sure requirements were followed as further described in finding 2020-008.

As a result, the Clark County Fiscal Court submitted payroll expenses that did not qualify for reimbursement from the Coronavirus Relief Fund, resulting in \$19,773 of questioned costs.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund (the “Fund”) and appropriated \$150 billion for payments by Treasury to states, tribal governments, and certain local governments. The CARES Act provides that payments from the fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of state, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).”

**CLARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)**

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-009 The Clark County Fiscal Court Submitted Ineligible Expenses For Reimbursement For The COVID-19 Coronavirus Relief Fund (Continued)

Additionally, CFR 200.303 states, “[t]he non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

We recommend the Clark County Fiscal Court contact the Department for Local Government (DLG) for guidance on how to resolve these issues. We also recommend the Clark County Fiscal Court strengthen controls over federal awards by implementing a review process to catch and resolve these matters going forward.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This was an error in the spreadsheets provided for reimbursement. We will contact DLG for further guidance on this issue. Controls will be in place to prevent these errors in the future.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CLARK COUNTY FISCAL COURT

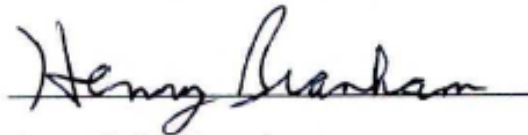
For The Year Ended June 30, 2020

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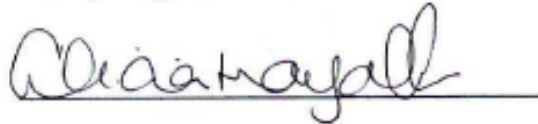
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Clark County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Henry Hanson", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Alicia Ray", written over a horizontal line.

County Treasurer