

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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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 Ricky L. Craig, Clinton County Judge/Executive

The Honorable Richard C. Armstrong, Former Clinton County Judge/Executive

Members of the Clinton County Fiscal Court

The enclosed report prepared by Patrick & Associates, LLP, Certified Public Accountants, presents the financial statement of Clinton County, Kentucky, for the year ended June 30, 2019.

We engaged Patrick & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Patrick & Associates, LLP evaluated the Clinton County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon".

Mike Harmon
Auditor of Public Accounts

Enclosure



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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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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 Clinton County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Clinton 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.

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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 Clinton 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 Clinton County Fiscal Court as of June 30, 2019, 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 Clinton County Fiscal Court as of June 30, 2019, 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 Clinton County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and Schedule of Capital Assets (other information) 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 is 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 are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide assurance on it.

To the People of Kentucky

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the Clinton 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 Clinton 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 Responses included herein, which discusses the following report findings:

- 2019-001 The County Failed To Maintain Supporting Documentation
- 2019-002 The County Failed To Properly Reconcile The Payroll Revolving Account And Account For Liabilities
- 2019-003 The County Failed To Implement Proper Internal Controls Over Disbursements
- 2019-004 The County Did Not Maintain Adequate Internal Controls Over Cash, Receipt, And Reporting Processes
- 2019-005 The County Failed To Implement Adequate Internal Controls Over Payroll
- 2019-006 The County Failed To Properly Reconcile Retirement Reports To Payroll Reports
- 2019-007 The Jailer Did Not Have Adequate Segregation Of Duties Over Accounting Functions Of The Jail Commissary And Inmate Accounts
- 2019-008 The Jailer's Annual Commissary Report Was Not Accurate And Was Not Presented To The County Treasurer
- 2019-009 The Jailer Did Not Have Adequate Controls Over Jail Commissary Disbursements
- 2019-010 The County Did Not Annually Review The Administrative Code And Make Any Changes Or Revisions Deemed Necessary
- 2019-011 Disbursements Exceeded Approved Budgeted Appropriations
- 2019-012 The County Failed To Prepare A Schedule Of Expenditures Of Federal Awards
- 2019-013 The Treasurer Did Not Prepare Annual Settlement And Adhere To The Publishing Requirements Of KRS 68.020 and KRS 424.220
- 2019-014 The County Failed To Accurately Report Activity Of The General Fund In The Fourth Quarter Financial Report
- 2019-015 The County Failed To Maintain Adequate Cash Balances In Bank Accounts
- 2019-016 The County Failed To Properly Disclose Debt On The Quarterly Financial Report
- 2019-017 The County Failed To Establish Proper Controls Over The Local Government Economic Assistance Fund That Resulted In Noncompliance
- 2019-018 The County Failed To Properly Code And Record Receipts
- 2019-019 The General Fund Has A Deficit Fund Balance Of \$60,452
- 2019-020 The County Failed To Properly Remit Taxes
- 2019-021 The County Failed To Timely File And Pay Retirement

To the People of Kentucky

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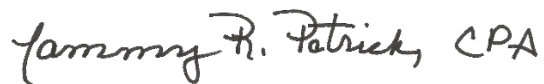
Finance and Administration Cabinet

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Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive style with a large, stylized initial "T".

Tammy R. Patrick, CPA
Patrick & Associates, LLC

January 30, 2020

CLINTON COUNTY OFFICIALS

For The Year Ended June 30, 2019

Fiscal Court Members:

Ricky L. Craig (January 7, 2019 through June 30, 2019)	County Judge/Executive
Richard Armstrong (July 1, 2018 through January 6, 2019)	County Judge/Executive
Gary Ferguson (January 7, 2019 through June 30, 2019)	Magistrate
Jerry Lowhorn (January 7, 2019 through June 30, 2019)	Magistrate
Ray Marcum (January 7, 2019 through June 30, 2019)	Magistrate
Johnny Russell	Magistrate
Mickey Riddle	Magistrate
Terry Buster	Magistrate
Ricky L. Craig (July 1, 2018 through January 6, 2019)	Magistrate
Patty Guinn (July 1, 2018 through January 6, 2019)	Magistrate
Herchel Key (July 1, 2018 through January 6, 2019)	Magistrate

Other Elected Officials:

Michael A. Rains	County Attorney
Johnny Thrasher (July 1, 2018 through January 6, 2019)	Jailer
Tracy Thurman (January 7, 2019 through June 30, 2019)	Jailer
Nathan Collins (January 7, 2019 through June 30, 2019)	County Clerk
Shelia Booher (July 1, 2018 through January 6, 2019)	County Clerk
Norman Chaffins (July 1, 2018 through January 6, 2019)	Sheriff
Jeff Vincent (January 7, 2019 through June 30, 2019)	Sheriff
Pat Campbell	Property Valuation Administrator
Steve Talbott	Coroner

Appointed Personnel:

Tuesday Davis	County Treasurer
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**CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 408,476	\$	\$
In Lieu Tax Payments	177,328		
Excess Fees	68,948		
Licenses and Permits	29,041		
Intergovernmental	125,347	1,085,765	101,290
Charges for Services	10,489		43,494
Miscellaneous	109,951	16	2,616
Interest	116	525	25
Total Receipts	<u>929,696</u>	<u>1,086,306</u>	<u>147,425</u>
DISBURSEMENTS			
General Government	651,682	21,323	
Protection to Persons and Property	3,484		573,454
General Health and Sanitation	262,330		
Social Services			
Recreation and Culture	31,325		
Roads		868,250	
Debt Service			
Administration	334,020	213,964	118,404
Total Disbursements	<u>1,282,841</u>	<u>1,103,537</u>	<u>691,858</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(353,145)</u>	<u>(17,231)</u>	<u>(544,433)</u>
Other Adjustments to Cash (Uses)			
Direct Borrowings and Direct Placement Proceeds			
Transfers From Other Funds	493,527		600,000
Transfers To Other Funds	(150,000)	(153,527)	
Total Other Adjustments to Cash (Uses)	<u>343,527</u>	<u>(153,527)</u>	<u>600,000</u>
Net Change in Fund Balance	(9,618)	(170,758)	55,567
Fund Balance - Beginning (Restated)	93,385	502,083	(16,591)
Fund Balance - Ending	<u>\$ 83,767</u>	<u>\$ 331,325</u>	<u>\$ 38,976</u>
Composition of Fund Balance			
Bank Balance	\$ 111,237	\$ 334,472	\$ 56,067
Plus: Deposits In Transit	200		381
Less: Outstanding Checks	(27,670)	(3,147)	(17,472)
Fund Balance - Ending	<u>\$ 83,767</u>	<u>\$ 331,325</u>	<u>\$ 38,976</u>

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

CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Disaster and Emergency Services Fund	Ambulance Fund	Forestry Fund	Occupational Tax Fund	911 Fund
\$	\$	\$	\$ 1,500	\$ 1,674,576	\$ 105,649
60,995	4,071	10,000			144,139
		565,072			1,720
11,653		1,401			
7	3	210		605	27
<u>72,655</u>	<u>4,074</u>	<u>576,683</u>	<u>1,500</u>	<u>1,675,181</u>	<u>251,535</u>
45,422				32,751	
	8,285	922,182	1,502		248,949
2,738					
42,412					
		10,000			
31,132	1,968	266,678		7,522	55,839
<u>121,704</u>	<u>10,253</u>	<u>1,198,860</u>	<u>1,502</u>	<u>40,273</u>	<u>304,788</u>
(49,049)	(6,179)	(622,177)	(2)	1,634,908	(53,253)
		52,710			
47,000	10,000	665,000			100,000
				(1,602,000)	(10,000)
<u>47,000</u>	<u>10,000</u>	<u>717,710</u>		<u>(1,602,000)</u>	<u>90,000</u>
(2,049)	3,821	95,533	(2)	32,908	36,747
3,846	4,175	2,993	6	9,580	5,647
<u>\$ 1,797</u>	<u>\$ 7,996</u>	<u>\$ 98,526</u>	<u>\$ 4</u>	<u>\$ 42,488</u>	<u>\$ 42,394</u>
\$ 5,870	\$ 7,996	\$ 102,919	\$ 4	\$ 42,488	\$ 46,074
(4,073)		(4,393)			(3,680)
<u>\$ 1,797</u>	<u>\$ 7,996</u>	<u>\$ 98,526</u>	<u>\$ 4</u>	<u>\$ 42,488</u>	<u>\$ 42,394</u>

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

CLINTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>Homeland Security Fund</u>	<u>Jail General Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 2,190,201
In Lieu Tax Payments				177,328
Excess Fees				68,948
Licenses and Permits				29,041
Intergovernmental				1,531,607
Charges for Services				620,775
Miscellaneous		413	30,248	156,298
Interest			2	1,520
Total Receipts		<u>413</u>	<u>30,250</u>	<u>4,775,718</u>
DISBURSEMENTS				
General Government				751,178
Protection to Persons and Property	1,776	127		1,759,759
General Health and Sanitation				262,330
Social Services				2,738
Recreation and Culture			34,102	107,839
Roads				868,250
Debt Service				10,000
Administration				1,029,527
Total Disbursements	<u>1,776</u>	<u>127</u>	<u>34,102</u>	<u>4,791,621</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,776)</u>	<u>286</u>	<u>(3,852)</u>	<u>(15,903)</u>
Other Adjustments to Cash (Uses)				
Direct Borrowings and Direct Placement Proceeds				52,710
Transfers From Other Funds				1,915,527
Transfers To Other Funds				(1,915,527)
Total Other Adjustments to Cash (Uses)				<u>52,710</u>
Net Change in Fund Balance	(1,776)	286	(3,852)	36,807
Fund Balance - Beginning (Restated)	1,776		10,041	616,941
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 286</u>	<u>\$ 6,189</u>	<u>\$ 653,748</u>
Composition of Fund Balance				
Bank Balance	\$ 1,776	\$ 347	\$ 7,103	\$ 716,353
Plus: Deposits In Transit				581
Less: Outstanding Checks	<u>(1,776)</u>	<u>(61)</u>	<u>(914)</u>	<u>(63,186)</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 286</u>	<u>\$ 6,189</u>	<u>\$ 653,748</u>

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

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TO THE FINANCIAL STATEMENT**

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**CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Clinton County includes all budgeted and unbudgeted funds under the control of the Clinton 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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(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.

Disaster and Emergency Services (DES) Fund - The primary purpose of this fund is to account for the disaster and emergency service expenses of the county. The primary source of receipts for this fund is the Kentucky State Treasurer.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance activities of the county. The primary source of receipts for this fund is user fees paid by insurance companies.

Forestry Fund - The primary purpose of this fund is to account for the forestry expenses of the county. The primary source of receipts for this fund is the fire acres property tax.

Occupational Tax Fund - The primary purpose of this fund is to account for the occupational tax collections of the county.

911 Fund - The primary purpose of this fund is to account for the emergency dispatch activities of the county. The primary source of receipts for this fund is telephone 911 fees.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary source of receipts for this fund is the federal government.

Jail General Fund - The primary purpose of this fund is to purchase necessary items for the jail without the need of approval from fiscal court. The primary source of receipts for this fund is from telephone and vending machine commissions.

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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

E. Clinton County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Clinton 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 Clinton 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).

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Related Organization and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the Clinton County Tourist and Convention Commission is considered a related organization of the Clinton County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Clinton County Fiscal Court: Parks and Recreation (with City of Albany and Clinton County Board of Education), Animal Control (with Cumberland County and Wayne County), and Airport (with Cumberland County).

H. 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 depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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.

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 KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Road Fund	911 Fund	Occupational Tax Fund	Total Transfers In
General Fund	\$	\$ 153,527	\$	\$ 340,000	\$ 493,527
Jail Fund	70,000			530,000	600,000
Ambulance Fund	70,000			595,000	665,000
Local Government Economic Assistance Fund			10,000	37,000	47,000
Disaster and Emergency Assistance Fund				10,000	10,000
E911 Fund	10,000			90,000	100,000
Total Transfers Out	<u>\$ 150,000</u>	<u>\$ 153,527</u>	<u>\$ 10,000</u>	<u>\$ 1,602,000</u>	<u>\$ 1,915,527</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. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$971 with \$90 held on behalf of inmates.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements – Stryker Cots

On February 11, 2019, Clinton County entered into an agreement with Flex Financial, A Division Of Stryker Sales Corporation in the amount of \$52,710 with no interest for a period of two years for the purchase of three ambulance cots. The agreement stipulates three payments with one payment of \$10,000 being due immediately. The remaining payments are equal installments of \$21,355 each being due annually for two years. In the case of default the entire balance of unpaid payments become immediately due and payable. At June 30, 2019, the principal outstanding was \$42,710. Future principal requirements are:

Fiscal Year Ended June 30	Principal
2020	\$ 21,355
2021	21,355
Totals	<u>\$ 42,710</u>

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$	\$ 52,710	\$ 10,000	\$ 42,710	\$ 21,355
Total Long-term Debt	\$ 0	\$ 52,710	\$ 10,000	\$ 42,710	\$ 21,355

Note 6. 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 2017 was \$330,489, FY 2018 was \$339,535, and FY 2019 was \$324,860.

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 21.48 percent.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

Once members reach a minimum vesting period of 15 years, 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%. 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% 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. 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%. 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.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

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 7. Insurance

For the fiscal year ended June 30, 2019, the Clinton 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.

Note 8. Contingencies

For the fiscal year ended June 30, 2019, it was found that the county had unpaid liability obligations that will include an undeterminable amount of penalties and interest due to late payroll withholding payments in addition to the amount not previously remitted. As of December 31, 2019, the county remitted unpaid federal withholdings and state withholdings that include interest and penalties totaling \$183,219 and \$55,808, respectively. As of December 31, 2020, additional amounts for retirement have not been paid.

CLINTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Fund Balance - Deficit

As of June 30, 2019, the general fund had a deficit balance of \$60,452. The general fund deficit was due to outstanding payroll liabilities and monies owed to the road fund.

Cash Balance	\$	83,767
Payroll Account Balance		(61,248)
Interfund Payable Due To Road Fund		<u>(82,971)</u>
Fund Balance	\$	<u><u>(60,452)</u></u>

Note 10. Prior Period Adjustments

The beginning fund balance of the Road Fund, Jail Fund, Disaster and Emergency Services Fund, and Ambulance Fund increased due to prior year voided checks by \$125, \$203, \$78, and \$8. In addition, the beginning balance of the Jail Commissary Fund was increased by \$649 due to prior year error.

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 452,500	\$ 452,500	\$ 408,476	\$ (44,024)
In Lieu Tax Payments	139,000	139,000	177,328	38,328
Excess Fees	24,000	24,000	68,948	44,948
Licenses and Permits	26,000	26,000	29,041	3,041
Intergovernmental	145,800	145,800	125,347	(20,453)
Charges for Services	3,500	3,500	10,489	6,989
Miscellaneous	6,000	6,000	109,951	103,951
Interest	100	100	116	16
Total Receipts	<u>796,900</u>	<u>796,900</u>	<u>929,696</u>	<u>132,796</u>
DISBURSEMENTS				
General Government	600,737	606,787	651,682	(44,895)
Protection to Persons and Property	1,500	3,800	3,484	316
General Health and Sanitation	143,800	151,680	262,330	(110,650)
Recreation and Culture			31,325	(31,325)
Administration	359,475	343,245	334,020	9,225
Total Disbursements	<u>1,105,512</u>	<u>1,105,512</u>	<u>1,282,841</u>	<u>(177,329)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(308,612)</u>	<u>(308,612)</u>	<u>(353,145)</u>	<u>(44,533)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	301,994	301,994	493,527	191,533
Transfers To Other Funds			<u>(150,000)</u>	<u>(150,000)</u>
Total Other Adjustments to Cash (Uses)	<u>301,994</u>	<u>301,994</u>	<u>343,527</u>	<u>41,533</u>
Net Change in Fund Balance	(6,618)	(6,618)	(9,618)	(3,000)
Fund Balance - Beginning	<u>6,618</u>	<u>6,618</u>	<u>93,385</u>	<u>86,767</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,767</u>	<u>\$ 83,767</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 955,714	\$ 955,714	\$ 1,085,765	\$ 130,051
Miscellaneous	1,000	1,000	16	(984)
Interest	500	500	525	25
Total Receipts	<u>957,214</u>	<u>957,214</u>	<u>1,086,306</u>	<u>129,092</u>
DISBURSEMENTS				
General Government	22,000	22,000	21,323	677
Roads	1,132,600	1,151,700	868,250	283,450
Administration	354,483	335,383	213,964	121,419
Total Disbursements	<u>1,509,083</u>	<u>1,509,083</u>	<u>1,103,537</u>	<u>405,546</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(551,869)</u>	<u>(551,869)</u>	<u>(17,231)</u>	<u>534,638</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(153,527)</u>	<u>(153,527)</u>	<u>(153,527)</u>	
Total Other Adjustments to Cash (Uses)	<u>(153,527)</u>	<u>(153,527)</u>	<u>(153,527)</u>	
Net Change in Fund Balance	(705,396)	(705,396)	(170,758)	534,638
Fund Balance - Beginning (Restated)	<u>705,396</u>	<u>705,396</u>	<u>502,083</u>	<u>(203,313)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 331,325</u>	<u>\$ 331,325</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 163,000	\$ 163,000	\$ 101,290	\$ (61,710)
Charges for Services	1,500	1,500	43,494	41,994
Miscellaneous	1,000	1,000	2,616	1,616
Interest Earned	100	100	25	(75)
Total Receipts	<u>165,600</u>	<u>165,600</u>	<u>147,425</u>	<u>(18,175)</u>
DISBURSEMENTS				
Protection to Persons and Property	491,000	538,280	573,454	(35,174)
Administration	165,595	118,315	118,404	(89)
Total Disbursements	<u>656,595</u>	<u>656,595</u>	<u>691,858</u>	<u>(35,263)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(490,995)</u>	<u>(490,995)</u>	<u>(544,433)</u>	<u>(53,438)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	486,904	486,904	600,000	113,096
Total Other Adjustments to Cash (Uses)	<u>486,904</u>	<u>486,904</u>	<u>600,000</u>	<u>113,096</u>
Net Change in Fund Balance	(4,091)	(4,091)	55,567	59,658
Fund Balance - Beginning (Restated)	4,091	4,091	(16,591)	(20,682)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,976</u>	<u>\$ 38,976</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 60,995	\$ (4,005)
Miscellaneous	16,000	16,000	11,653	(4,347)
Interest	50	50	7	(43)
Total Receipts	<u>81,050</u>	<u>81,050</u>	<u>72,655</u>	<u>(8,395)</u>
DISBURSEMENTS				
General Government	42,250	46,350	45,422	928
Protection to Persons and Property	2,500			
Social Services	2,100	2,800	2,738	62
Recreation and Culture	44,000	39,400	42,412	(3,012)
Administration	29,201	31,501	31,132	369
Total Disbursements	<u>120,051</u>	<u>120,051</u>	<u>121,704</u>	<u>(1,653)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(39,001)</u>	<u>(39,001)</u>	<u>(49,049)</u>	<u>(10,048)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	36,501	36,501	47,000	10,499
Total Other Adjustments to Cash (Uses)	<u>36,501</u>	<u>36,501</u>	<u>47,000</u>	<u>10,499</u>
Net Change in Fund Balance	(2,500)	(2,500)	(2,049)	451
Fund Balance - Beginning	2,500	2,500	3,846	1,346
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,797</u>	<u>\$ 1,797</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

DISASTER AND EMERGENCY SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 19,202	\$ 19,202	\$ 4,071	\$ (15,131)
Interest	20	20	3	(17)
Total Receipts	<u>19,222</u>	<u>19,222</u>	<u>4,074</u>	<u>(15,148)</u>
DISBURSEMENTS				
Protection to Persons and Property	13,244	13,244	8,285	4,959
Administration	5,978	5,978	1,968	4,010
Total Disbursements	<u>19,222</u>	<u>19,222</u>	<u>10,253</u>	<u>8,969</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(6,179)</u>	<u>(6,179)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			<u>10,000</u>	<u>10,000</u>
Total Other Adjustments to Cash (Uses)			<u>10,000</u>	<u>10,000</u>
Net Change in Fund Balance			3,821	3,821
Fund Balance - Beginning (Restated)			<u>4,175</u>	<u>4,175</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,996</u>	<u>\$ 7,996</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	400,000	400,000	565,072	165,072
Miscellaneous	200	200	1,401	1,201
Interest	50	50	210	160
Total Receipts	<u>410,250</u>	<u>410,250</u>	<u>576,683</u>	<u>166,433</u>
DISBURSEMENTS				
Protection to Persons and Property	806,020	879,200	922,182	(42,982)
Debt Service		10,000	10,000	
Administration	352,705	269,525	266,678	2,847
Total Disbursements	<u>1,158,725</u>	<u>1,158,725</u>	<u>1,198,860</u>	<u>(40,135)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(748,475)</u>	<u>(748,475)</u>	<u>(622,177)</u>	<u>126,298</u>
Other Adjustments to Cash (Uses)				
Direct Borrowings and Direct Placement Proceeds			52,710	52,710
Transfers From Other Funds	723,475	723,475	665,000	(58,475)
Total Other Adjustments to Cash (Uses)	<u>723,475</u>	<u>723,475</u>	<u>717,710</u>	<u>(5,765)</u>
Net Change in Fund Balance	(25,000)	(25,000)	95,533	120,533
Fund Balance - Beginning (Restated)	25,000	25,000	2,993	(22,007)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,526</u>	<u>\$ 98,526</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

FORESTRY FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,502	\$ 1,502	\$ 1,500	\$ (2)
Total Receipts	<u>1,502</u>	<u>1,502</u>	<u>1,500</u>	<u>(2)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>1,502</u>	<u>1,502</u>	<u>1,502</u>	
Total Disbursements	<u>1,502</u>	<u>1,502</u>	<u>1,502</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(2)</u>	<u>(2)</u>
Net Change in Fund Balance			(2)	(2)
Fund Balance - Beginning			<u>6</u>	<u>6</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4</u>	<u>\$ 4</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,520,000	\$ 1,520,000	\$ 1,674,576	\$ 154,576
Interest	250	250	605	355
Total Receipts	<u>1,520,250</u>	<u>1,520,250</u>	<u>1,675,181</u>	<u>154,931</u>
DISBURSEMENTS				
General Government	30,400	33,100	32,751	349
Administration	11,372	8,672	7,522	1,150
Total Disbursements	<u>41,772</u>	<u>41,772</u>	<u>40,273</u>	<u>1,499</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,478,478</u>	<u>1,478,478</u>	<u>1,634,908</u>	<u>156,430</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,486,478)	(1,486,478)	(1,602,000)	(115,522)
Total Other Adjustments to Cash (Uses)	<u>(1,486,478)</u>	<u>(1,486,478)</u>	<u>(1,602,000)</u>	<u>(115,522)</u>
Net Change in Fund Balance	(8,000)	(8,000)	32,908	40,908
Fund Balance - Beginning	8,000	8,000	9,580	1,580
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,488</u>	<u>\$ 42,488</u>

CLINTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 150,000	\$ 150,000	\$ 105,649	\$ (44,351)
Intergovernmental			144,139	144,139
Charges for Services	50,000	50,000	1,720	(48,280)
Miscellaneous	500	500		(500)
Interest	50	50	27	(23)
Total Receipts	<u>200,550</u>	<u>200,550</u>	<u>251,535</u>	<u>50,985</u>
DISBURSEMENTS				
Protection to Persons and Property	238,865	256,765	248,949	7,816
Administration	72,816	54,916	55,839	(923)
Total Disbursements	<u>311,681</u>	<u>311,681</u>	<u>304,788</u>	<u>6,893</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(111,131)</u>	<u>(111,131)</u>	<u>(53,253)</u>	<u>57,878</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	91,131	91,131	100,000	8,869
Transfers To Other Funds			(10,000)	(10,000)
Total Other Adjustments to Cash (Uses)	<u>91,131</u>	<u>91,131</u>	<u>90,000</u>	<u>(1,131)</u>
Net Change in Fund Balance	(20,000)	(20,000)	36,747	56,747
Fund Balance - Beginning	20,000	20,000	5,647	(14,353)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,394</u>	<u>\$ 42,394</u>

CLINTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

Note 2. Excess of Disbursements Over Appropriations

The general fund general government, general health and sanitation, and recreation and culture disbursements exceeded budgeted appropriations by \$44,895, \$110,650, and \$31,325, respectively. Total disbursements exceed budgeted appropriations by \$177,329.

The jail fund protection to persons and property and administration disbursements exceeded budgeted appropriations by \$35,174 and \$89, respectively. The total disbursements exceeded budgeted appropriations by \$35,263.

The local government economic assistance fund recreation and culture disbursements exceeded budgeted appropriations by \$3,012. The total disbursements exceeded budget appropriations by \$1,653.

The ambulance fund protection to persons and property disbursements exceeded budgeted appropriations by \$42,982. The total disbursements exceeded budgeted appropriations by \$40,135.

The 911 fund administration disbursements exceeded budgeted appropriations by \$923.

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

For The Year Ended June 30, 2019

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CLINTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Land	\$ 123,907	\$	\$	\$ 123,907
Buildings	5,673,662			5,673,662
Equipment*	1,394,548	52,710		1,447,258
Vehicles	1,067,542	50,093	32,926	1,084,709
Infrastructure	6,828,862	457,928		7,286,790
 Total Capital Assets	 <u>\$ 15,088,521</u>	 <u>\$ 560,731</u>	 <u>\$ 32,926</u>	 <u>\$ 15,616,326</u>

CLINTON COUNTY
NOTES TO OTHER INFORMATION - REGULATORY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2019

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-75
Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Prior Period Adjustment

The prior year Schedule of Capital Assets was restated by decreasing equipment by \$36,800 due to an error discovered from the prior year.

**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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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

The Honorable Ricky L. Craig, Clinton County Judge/Executive
The Honorable Richard C. Armstrong, Former Clinton County Judge/Executive
Members of the Clinton 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 Clinton County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Clinton County Fiscal Court's financial statement and have issued our report thereon dated January 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Clinton County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Clinton County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clinton 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-006 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-007, 2019-008, 2019-009, 2019-011, 2019-015, 2019-017, and 2019-020 to be significant deficiencies.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Clinton 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-003, 2019-004, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, 2019-016, 2019-017, 2019-018, 2019-019, 2019-020, and 2019-021.

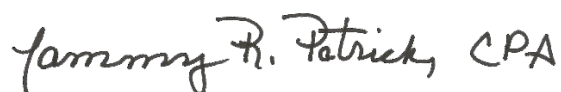
Views of Responsible Officials and Planned Corrective Action

Clinton County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. 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,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

January 30, 2020

**CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The County Failed To Maintain Supporting Documentation

The county failed to either obtain or maintain supporting documentation. The following documents had to be requested from other sources or were created:

- Several bank statements for the tourism account and the tri county account.
- Bank reconciliations for the tourism account, tri county animal account, homeland security account, and payroll account.
- Payroll ledgers
- Retirement reports
- Official training letters

Due to the lack of oversight by the county being in place the noted above were not on file.

Failure to maintain supporting documentation resulted in noncompliance with record keeping set forth by the State Local Finance Officer. Misstated financial statements may also result from the failure to maintain supporting documentation.

Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards which are to be used by county jailers for jail commissary funds maintained pursuant to KRS 441.135. These standards stipulated by the State Local Finance Officer, requires that the county maintain supporting documentation for all accounting functions.

We recommend the county ensures that all supporting documentation is obtained and filed appropriately.

County Judge/Executive's Response: This audit has been conducted under two separate administrations. From July 1st 2018 through January 7th 2019 was prior administration. The current administration began at that time and though it's hard to tell when the errors were made, I can only speak for what we have done since that time and say that we are working to correct the errors listed in this report. Personnel changes have been made to rectify errors that occurred through June 30th 2019.

Reconciliation has been done monthly since July 1st, 2019. All training letters are being kept in a file on site in the Judge's office.

2019-002 The County Failed To Properly Reconcile The Payroll Revolving Account And Account For Liabilities

This is a repeat finding and was included in the prior year audit report as finding 2018-005. A bank reconciliation for the payroll revolving account was not presented. After reconciling the account, it was determined that the account had a negative reconciled balance of \$61,248 as of June 30, 2019. Unrecorded liabilities were the main contributing factor to the negative balance totaling \$140,825. The aforementioned liabilities included past due state taxes, federal taxes, and retirement contributions not properly remitted to their respective agency.

The lack of oversight and internal controls resulted in the situation described.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The County Failed To Properly Reconcile The Payroll Revolving Account And Account For Liabilities (Continued)

The negative balance as noted above results in there not being sufficient funds to cover outstanding checks and liabilities that are to be paid.

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 transfer from the general fund the necessary funds to cover any reconciled negative balance. 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 account and the payroll register to ensure accurate amounts are transferred to the payroll account each pay period. Finally, we recommend that the county establish procedures to provide oversight and provide internal controls that ensure all payroll related obligations are properly remitted.

County Judge/Executive's Response: As of July 1st 2019 all reconciliations are done monthly.

2019-003 The County Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2018-006. The fiscal court did not follow proper procedures and requirements for disbursements of county funds. The following deficiencies were noted:

- Five (5) invoices tested were paid in excess of thirty (30) days after the invoice date.
- The service charges accrued for negative bank balances were posted to the ledgers without fiscal court approval.
- One reimbursement request did not have supporting documentation.
- One reimbursement request did not have authorizing signatures.
- Two tourism board disbursements were paid without sufficient documentation. Additionally, the disbursements were not authorized by the fiscal court.
- One tourism board disbursement was in the form of electronic transfer.
- Two disbursements were coded incorrectly
- One disbursement was not properly bid
- Interest incurred and late fees paid on credit cards totaled \$34 and \$78, respectively.
- Cash disbursements are made to reimburse key deposit from community rentals.

The county failed to implement sufficient monitoring over the disbursement process.

The deficiencies noted above resulted in line items exceeded budgeted appropriations, bank accounts being overdrawn, inaccurate reporting, and potential misappropriation of assets.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-003 The County Failed To Implement Proper Internal Controls Over Disbursements (Continued)

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, "[p]urchases 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." In addition all disbursements are to be made by check.

The Clinton County Kentucky Administrative Code states, "[i]n general the fiscal court is responsible for setting the policies and priorities of Clinton County and for insuring that the mandated functions and responsibilities of the county are carried out. Responsibility for the specific execution of the policies, on the other hand, is vested in the Judge Executive."

KRS 65.140(2) states, in part, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within (30) working days of receipt of a vendor's invoice..."

We recommend the fiscal court implement policies and procedures to ensure disbursements are in compliance with applicable statutes and regulations. Additionally, we recommend the fiscal court put into place internal controls to monitor that these policies and procedures are operating effectively.

County Judge/Executive's Response: All documents are verified by three personnel.

2019-004 The County Did Not Maintain Adequate Internal Controls Over Cash, Receipt, And Reporting Processes

The County lacks proper internal controls over the cash, receipt, and reporting functions. We noted the following:

- There is no documented evidence of the review of bank reconciliations, bank statements, and deposits by someone independent of the recording and reporting functions.
- The General Fund balance on both the Fourth Quarter Report and bank reconciliation was incorrect. Activity from the tourism account and tri county animal account failed to be recorded. (See finding 2019-014)
- There were numerous missing bank statements and bank reconciliations. (See finding 2019-001)
- Cash received for rentals are not being deposited intact.
- Numerous negative bank balances occurred on numerous occasions. (See finding 2019-015)
- The 6/30/19 tri county account bank reconciliation not accurate.
- The 6/30/19 homeland account and tourism account reconciliations were not presented.
- General Fund owes the Road Fund \$82,971. (See finding 2019-019)
- The Fourth Quarter Financial Report was inaccurate. (See finding 2019-014)
- Payroll revolving account had a reconciled balance of (\$61,248). (See finding 2019-002)

The county failed to implement internal controls over cash, receipt, and reporting processes.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The County Did Not Maintain Adequate Internal Controls Over Cash, Receipt, And Reporting Processes (Continued)

Without having proper internal controls over cash, receipt, and reporting processes the county could be at risk for misappropriation of assets and/or inaccurate financial reporting.

The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the Fourth Quarter Financial Report to be utilized for reporting. Furthermore compensating controls over the cash and reconciliation functions when staff is limited is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. Some compensating controls may include:

- An independent person could compare the listing of receipts to the county treasurer's deposits and receipt ledger. The comparison should be documented.
- An independent person could review the county treasurer's bank reconciliations for accuracy and/or unusual items, and compare to the ending fund balances. This review should be documented.

We recommend that the fiscal court separate the duties of the cash and reconciliation process. If these duties cannot be segregated due to limited staff or limited budget, then strong oversight should be provided to the employee responsible for these duties.

County Judge/Executive's Response: As of July 1st 2019 reconciliation reported monthly to Fiscal Court for acknowledgement and approval during Fiscal Court Meetings.

2019-005 The County Failed To Implement Adequate Internal Controls Over Payroll

This is a repeat finding and was included in the prior year audit report as finding 2018-008. The county failed to establish adequate internal controls over payroll. The following control deficiencies were noted:

- Three (3) employees did not sign or approve their timesheets.
- Four (4) supervisor signatures were missing from timesheets.
- FICA withholdings were incorrectly computed due to retirement being deducted from taxable wages.
- One employee had five percent (5%) withheld for retirement from wages instead of the required six percent (6%).

The county failed to provide sufficient oversight or implement internal controls to ensure payroll procedures and requirements are being conducted properly.

Due to FICA withholdings being calculated and paid incorrectly, the county may be liable for penalties, interest, and paying the unpaid FICA and retirement. Without both employee and supervisor signature for verification purposes of hours worked, misappropriation of assets may occur.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 The County Failed To Implement Adequate Internal Controls Over Payroll (Continued)

Strong internal controls over payroll and timekeeping are vital in ensuring that payroll amounts are calculated and accounted for properly and ensuring that the county's assets are safeguarded. In addition, to reduce employees from disputing the number of hours worked, employers should require employees to sign a weekly timesheet and have a supervisor document their approval of hours worked.

KRS 61.510 (21) states, in part, "Regular full-time positions" as used in subsection (5) of this section, shall mean all positions that average one hundred (100) or more hours per month determined by using the number of months actually worked within a calendar year or fiscal year..." Also, federal wage an hour guidelines require that proper amounts of FICA be withheld and remitted.

We recommend the fiscal court strengthen controls over the payroll process by requiring all county employees to prepare a timesheet each pay period indicating the actual hours worked. The timesheets should be signed by the employee indicating they agree with the hours worked and should also be signed by a supervisor indicating approval. Additionally, the county should ensure that all employees' withholdings are being computed correctly. Furthermore, we recommend the fiscal court update their personnel ordinance and ensure those policies are followed.

County Judge/Executive's Response: As of July 1st 2019 procedures implemented for biweekly inspection by three personnel.

2019-006 The County Failed To Properly Reconcile Retirement Reports To Payroll Reports

This is a repeat finding and was included in the prior year audit report as finding 2018-009. Discrepancies were noted between amounts reported to the County Employees Retirement System (CERS) and the county's payroll reports. The following errors or problems were noted with the fiscal court's retirement (CERS) benefits:

- Detailed retirement reports and invoices are not printed and maintained in the fiscal court's records to document the payments made to retirement.
- Retirement contributions were not properly recorded to disbursement ledgers. They were recorded at the amount listed on the payroll summaries not the actual amount paid to CERS.
- The amounts reported for gross salaries on the retirement reports did not agree with gross salaries per the payroll summaries.

The county failed to provide sufficient oversight or implement internal controls to ensure retirement was reported and paid correctly.

Improper reporting and payment of retirement may lead to employees not being credited properly for retirement benefits. In addition, improper reporting may lead to penalties and interest being assessed by the Kentucky Retirement System.

The County Retirement Systems (CERS) has strict guidelines in which should be followed when reporting retirement for employees.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-006 The County Failed To Properly Reconcile Retirement Reports To Payroll Reports (Continued)

KRS 78.610 states “(1) [e]ach employee shall, commencing on August 1, 1990, contribute, for each pay period for which he receives compensation, five percent (5%) of his creditable compensation.” (2) “[t]he agency reporting official of a participating county shall cause to be deducted from the ‘creditable compensation’ of each employee for each and every payroll period subsequent to the date the county participated in the system the contribution payable by the member as provided in KRS 78.510 to 78.852. The agency reporting official shall promptly pay the deducted employee contributions to the system in accordance with KRS 78.625.”

Furthermore, KRS 61.702(2)(b)(1.) states, in part, “[e]ach employer described in paragraph (a) of this subsection shall deduct from the creditable compensation of each member having a membership date on or after September 1, 2008... an amount equal to one percent (1%) of the member's creditable compensation. The deducted amounts shall be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515, and 78.520.”

We recommend the county establish procedures and internal controls to ensure wages and retirement are properly reported to the County Employees Retirement System (CERS).

County Judge/Executive's Response: As of July 1st 2019 monthly reconciliation is performed before reporting to retirement.

2019-007 The Jailer Did Not Have Adequate Segregation Of Duties Over Accounting Functions Of The Jail Commissary And Inmate Accounts

This is a repeat finding and was included in the prior year audit report as finding 2019-014. A lack of segregation of duties existed over jail commissary receipts, disbursements and bank reconciliations. The jail commissary bookkeeper recorded receipts, prepared deposits, prepared the monthly receipt ledger, prepared checks for disbursements, and performed the monthly bank reconciliations without any documented oversight.

A lack of segregation of duties exists as a result of lack of oversight by the jailer and staffing limitations due to budgets restraints.

The lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties is essential over receipts, disbursements, and bank reconciliations and would have prevented the same person from having a significant role in these incompatible functions.

The following are examples of other controls the jailer could implement:

- Bank statements should be reviewed by a person independent from the accounting function.
- Deposits should be agreed to source documents by a person independent of the accounting function.
- Supporting documentation for disbursements and invoices should be reviewed by the jailer prior to payment.
- The jailer, or his designee, could complete bank reconciliations or review the bookkeeper's reconciliation for accuracy.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-007 The Jailer Did Not Have Adequate Segregation Of Duties Over Accounting Functions Of The Jail Commissary And Inmate Accounts (Continued)

We recommend the jailer separate the duties in preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented by the reviewer's initials and date of the review on applicable documentation.

County Judge/Executive's Response: Previous administration prior to January 7th 2019 cannot comment. New jail personnel has corrected this issue.

County Jailer's Response: Due to limited staff this is unavoidable, but have implemented dual control on all.

2019-008 The Jailer's Annual Commissary Report Was Not Accurate And Was Not Presented To The County Treasurer

The jailer failed to prepare an accurate annual jail commissary report and turn it over to the county treasurer as prescribed by the State Local Finance Officer. The report presented for the audit only covered six (6) months of the fiscal year instead of the twelve (12) months that should have been presented for the fiscal year. The beginning balance, receipts, and disbursements were understated by \$10,041, \$26,391, and \$30,616, respectively. In addition, a receipt was incorrectly accounted for in the current year that resulted in the ending balance being overstated by \$203.

A lack of understanding by the jailer and understanding of the requirements caused the issues noted above occurred.

Failure to provide adequate oversight over the preparation of the annual report may result in misstated financial statements. Also, failure to provide the annual report to the county treasurer resulted in a violation of Kentucky Revised Statutes.

Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards which are to be used by county jailers for jail commissary funds maintained pursuant to KRS 441.135. These standards stipulated by the State Local Finance Officer, requires that commissary reports include a year to date summary section that will provide a cash balance at any time during the fiscal year. This shall be turned over to the county treasurer at the end of the fiscal year. Information for this section is obtained from totaled categories from the receipt and disbursement journals. A monthly cash balance shall be maintained. The Reconciliation section of this report reconciles the bank balance to the cash balance.

We recommend the jailer prepare and submit to the county treasurer in a timely manner an accurate annual Jail Commissary Report as prescribed by the State Local Finance Officer.

County Judge/Executive's Response: Previous administration prior to January 7th 2019 cannot comment. New jail personnel has corrected this issue.

County Jailer's Response: Was not aware of standard until this audit.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-009 The Jailer Did Not Have Adequate Controls Over Jail Commissary Disbursements

This is a repeat finding and was included in the prior year report as finding 2018-012. The jail did not have adequate controls over jail commissary disbursements. During our testing of jail commissary disbursements for the year fiscal ending June 30, 2019, we noted:

- One (1) instance where the Jail paid sales taxes on a purchase.
- Six (6) instances where items purchased should not have been purchased with commissary monies totaling \$1,096. These purchases included repair and maintenance supplies, office supplies, and leg irons that should have been purchased from the fiscal court's jail fund.
- One (1) instance where invoice was not paid within 30 days and incurred a \$10 late charge.

A lack of oversight by the jailer and understanding of requirements allowed the situation noted to occur.

Failure to provide proper oversight may lead to unnecessary spending of funds and violations of related statutes and requirements.

The jail commissary is a governmental entity that is exempt from paying sales taxes. KRS 65.140(2)(3) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor. An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor's invoice by the purchaser." KRS 441.135(2) states, "[a]ll profits from the canteen shall be used: (a) for the benefit and to enhance the well-being of the prisoners; or (b) to enhance safety and security within the jail."

We recommend that the jailer review all purchases and ensure that sales taxes are not being paid and invoices are being paid timely. In addition, we recommend that the jailer ensure purchases made with commissary profits are for allowable uses of the funds. We further recommend that the fiscal court reimburse the jail commissary \$1,096 for disallowed purchases made from the commissary that should have been disbursed from the Jail Fund.

County Judge/Executive's Response: Previous administration prior to January 7th 2019 cannot comment. New jail personnel has corrected this issue.

County Jailer's Response: Agree to fully comply.

2019-010 The County Did Not Annually Review The Administrative Code And Make Any Changes Or Revisions Deemed Necessary

During the review of the fiscal court minutes we were unable to find where the fiscal court performed the required annual review of the Administrative Code. In addition, the auditor noted that the Ethics Code and Personnel Policy appear not to have been updated for several years.

Due to lack of understanding of the Kentucky Revised Statute requirements and oversight, the situation described above occurred.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-010 The County Did Not Annually Review The Administrative Code And Make Any Changes Or Revisions Deemed Necessary (Continued)

Without reviewing and then making necessary changes to the Administrative Code, Ethics Code, and Personnel Policy, procedures that are currently being followed may not be included and employees may not be aware of proper procedures to be followed

KRS 68.005 requires the fiscal court should review the Administrative Code annually before the end of the fiscal year. Good practice dictates that as changes are made in regards to requirements or procedures to be followed that the written policies should be updated as well to be used as an instructional guide.

We recommend that the fiscal court review the Administrative Code, Ethics Code, and Personnel Policy and make the necessary changes and modification as appropriate. This review and the approval of the changes by the fiscal court should be reflected in the minutes of the fiscal court.

County Judge/Executive's Response: County Attorney is revising and updating all policies.

2019-011 Disbursements Exceeded Approved Budgeted Appropriations

This is a repeat finding and was included in the prior year audit report as finding 2018-002. Disbursements exceeded approved budgeted appropriations for the general fund, jail fund, local government economic development fund, ambulance fund, and 911 fund. The following shows excess disbursements that the expenditure accounting codes had over budgeted appropriations:

General Fund - General Government	\$	44,895
General Fund - General Health and Sanitation		110,650
General Fund - Recreation and Culture		31,325
Jail Fund - Protection to Persons and Property		35,174
Jail Fund - Administration		89
Local Economic Assistance Fund - Recreation and Culture		3,012
Ambulance Fund - Protection to Persons and Property		42,982
911 Fund - Administration		923

This situation occurred due to lack of oversight over the disbursement and budgeting processes. In addition, the fiscal court did not monitor the budget or quarterly reports to prevent disbursements from exceeding the approved budget appropriations. The ambulance fund exceeded budget appropriations after the financial agreement for the Stryker cots was adjusted in the financial statements.

Failure to amend the budget or exceed budgeted appropriations is a violation of Kentucky Revised Statutes. In addition, failure to spend within the budget or amend the budget may skew the financial position of the county.

KRS 68.300 states, in part, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriations, shall be void.” KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded. In addition, the Department for Local Government requires that all debt incurred be budgeted in the financial statements.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-011 Disbursements Exceeded Approved Budgeted Appropriations (Continued)

We recommend fiscal court comply with KRS 68.300, KRS 68.280, and Department of Local Government requirements by budgeting all fiscal court disbursements and debt by amending the budget as necessary to reflect unanticipated receipts and disbursements.

County Judge/Executive's Response: Budget was approved by previous administration. Changes will be made in the Budget for 2020-2021 Fiscal Year.

2019-012 The County Failed To Prepare A Schedule Of Expenditures Of Federal Awards

The fiscal court failed to prepare a Schedule of Expenditures of Federal Awards for the fiscal year ending June 30, 2019.

The county did not have adequate knowledge or procedures in place to prepare the Schedule of Expenditures of Federal Awards.

Failure to properly prepare a Schedule of Expenditures of Federal Awards resulted in the county's noncompliance with the Kentucky Department for Local Government's requirements.

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 Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The Kentucky Department for Local Government requires the county to prepare a schedule of expenditures of federal awards and submit this schedule with the fourth quarter financial report to the Kentucky Department for Local Government within 20 days after the end of the fiscal year. In addition, 2 CFR Part 200 requires that the entity receiving federal monies account the amount of federal awards expended. Furthermore, if the entity expends in excess of \$750,000 for the year a Single Audit is required.

We recommend the county prepare and submit a Schedule of Expenditure of Federal Awards to the Kentucky Department for Local Government as required.

County Judge/Executive's Response: Will be implemented on the next fourth quarter.

2019-013 The Treasurer Did Not Prepare Annual Settlement And Adhere To The Publishing Requirement of KRS 68.020 and KRS 424.220

The county did not present a Treasurer's Settlement to the fiscal court for approval at the end of the fiscal year, and failed to publish the released audit report in accordance with KRS 68.020 and KRS 424.220. The situation occurred due to lack of understanding by the treasurer of reporting and publishing requirements.

Failure to obtain fiscal court approval of the Treasurer's Settlement and adhere to the publication requirements creates a situation where the public is not informed of the availability of public records and where to obtain them, and violates Kentucky Revised Statutes.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-013 The Treasurer Did Not Prepare Annual Settlement And Adhere To The Publishing Requirement of KRS 68.020 and KRS 424.220 (Continued)

KRS 68.020 requires the treasurer to present an annual financial settlement to the fiscal court within thirty (30) days of the end of the fiscal year. In addition, KRS 424.220 establishes the guidelines and requirements for the presentation and publishing of the county's audit in lieu of publishing the settlement.

We recommend the treasurer prepare and present a Treasurer's Settlement as required by KRS 68.020. Furthermore, we recommend the county adhere to the publishing requirements of KRS 424.220 for publishing the audits of the county.

County Judge/Executive's Response: Personnel from previous administration, will be corrected on next settlement.

2019-014 The County Failed To Accurately Report Activity Of The General Fund In The Fourth Quarter Financial Report

We noted that the general fund was overstated by \$11,689. The amount reported was \$95,465 and the amount that should have been reported was \$83,767. This occurred due to disbursements in the tourism account and tri county animal shelter account not being accounted for in the financial reporting system of \$11,359 and \$339, respectively.

There was a lack of oversight that resulted in the inaccurate reporting.

Failure to accurately report the cash balances in the Fourth Quarter Financial Report may result in the misstatement of the county's financial statement.

The quarterly report is a cumulative report and is prepared on a regulatory basis by the county judge/executive and the county treasurer pursuant to KRS 68.210. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, requires the Fourth Quarter Financial Report to be utilized for reporting.

We recommend that the county ensure that the Fourth Quarter Financial Report is accurate.

County Judge/Executive's Response: Prior treasurer and administration, efforts have been in place to correct since July 1st 2019.

2019-015 The County Failed To Maintain Adequate Cash Balances In Bank Accounts

This is a repeat finding and was included in the prior year audit report as finding 2018-004. The county failed to properly transfer funds into the general fund, jail fund, ambulance fund, and payroll revolving account that resulted in negative cash balances on numerous occasions. The following is a breakdown of the dates and balances in which this situation occurred:

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-015 The County Failed To Maintain Adequate Cash Balances In Bank Accounts (Continued)

<u>General Fund</u>		<u>Ambulance Fund</u>	
<u>Date</u>	<u>Account Balance</u>	<u>Date</u>	<u>Account Balance</u>
11/29/18	\$ (9,080.32)	11/06/18	\$ (230.23)
11/30/18	\$ (11,142.72)	10/31/18	\$ (22,342.18)
<u>Jail Fund</u>		<u>Payroll Account</u>	
<u>Date</u>	<u>Account Balance</u>	<u>Date</u>	<u>Account Balance</u>
07/02/18	\$ (2,258.67)	10/03/18	\$ (4,795.07)
07/05/18	\$ (5,382.02)	10/09/18	\$ (18,663.27)
07/09/18	\$ (1,954.13)	10/10/18	\$ (24,523.71)
07/10/18	\$ (3,496.00)	10/11/18	\$ (20,490.96)
07/11/18	\$ (4,928.89)	10/12/18	\$ (14,871.83)
07/13/18	\$ (430.01)	10/15/18	\$ (15,527.20)
10/18/18	\$ (3,440.70)	10/16/18	\$ (16,165.72)
11/29/18	\$ (3,176.68)	10/17/18	\$ (16,842.84)
11/30/18	\$ (10,096.80)	11/08/18	\$ (3,413.38)
12/03/18	\$ (10,184.80)	11/09/18	\$ (3,603.73)
12/05/18	\$ (10,092.78)	11/13/18	\$ (3,729.14)
12/07/18	\$ (9,892.78)	11/14/18	\$ (43,393.09)
12/10/18	\$ (2,477.24)	02/14/19	\$ (2,770.26)
02/21/19	\$ (12,808.44)	04/25/19	\$ (2,454.53)
		04/26/19	\$ (18,351.68)
		04/29/19	\$ (14,904.96)
		04/30/19	\$ (17,181.39)
		05/01/19	\$ (17,418.22)
		05/08/19	\$ (14,345.05)
		05/09/19	\$ (15,093.92)

The lack of oversight and failure to implement internal controls led to the situation described above.

As a result the county incurred \$110 in service charges and was in noncompliance with the Kentucky Department for Local Government's requirements.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires the county treasurer to countersign checks only if the following conditions exist: claim reviewed by the fiscal court, sufficient fund balance and adequate cash balance in the bank to cover the check, and adequate free balance in properly budgeted appropriation account to cover the check.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-015 The County Failed Maintain Adequate Cash Balances In Bank Accounts (Continued)

We recommend the county either perform cash transfers or refrain from disbursing funds when available balances are insufficient. We also recommend the county treasurer comply with all applicable requirements outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* concerning countersigning of checks.

County Judge/Executive's Response: Previous county treasurer did not reconcile, has been corrected in current administration.

2019-016 The County Failed To Properly Disclose Debt On The Quarterly Financial Report

The county did not report liabilities on the fourth quarterly financial report. The auditor was unable to locate the liabilities page that should have been submitted to the Department for Local Government. During the year, the county entered into an agreement for the purchase of Stryker cots for the ambulance service in the amount of \$52,710. The ending balance that should have been reported on the Fourth Quarter Financial report as of June 30, 2019 was \$42,710.

The county was not aware of the requirement to disclose debt on the Fourth Quarter Financial Report.

By not correctly reporting for outstanding liabilities, fiscal court cannot make effective management decisions as it relates to debt service outstanding each fiscal year.

KRS 68.280 states, "the fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby." KRS 68.240(1) states, "the county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year." According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, issued by the Department for Local Government (DLG), all borrowed money received and repaid must be reflected in the county budget. Any borrowed money that is not reflected in the original budget estimate must be amended into the budget and be properly reflected on the financial report as a receipt as well as an "expenditure" for repayment of borrowed funds. Furthermore, all funds should be recorded in receipts and appropriation ledgers. 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 disclosure all debt on the quarterly financial reports.

County Judge/Executive's Response: Miscommunication of filing status.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-017 The County Failed To Establish Proper Controls Over The Local Government Economic Assistance Fund That Resulted In Noncompliance

The fiscal court did not document or advertise for a public hearing on the disbursement of funds within the local government economic assistance fund. The fiscal court also expended local government economic assistance funds (LGEA) on the following unallowable categories: account 04-5080-175, the fiscal court paid the community center custodian \$22,965; account 04-9400-202, the fiscal court paid the employer's share of the custodian's retirement \$4,076; account 04-9400-205, the fiscal court paid the custodian's insurance \$69; account 04-9400-201, the fiscal court paid the employer's share of Social Security and Medicare \$1,664; account 04-9100-503, the fiscal court paid insurance on buildings of \$12,800.

The lack of oversight and understanding of the allowable disbursements from the Local Government Economic Assistance Fund resulted in the deficiencies.

The fiscal court was not in compliance with 109 KAR 10:010 Section 2, because the public was not informed through hearing on the disbursement of Local Government Economic Assistance monies. Even though the Clinton County Fiscal Court signed the certification of compliance required by KRS 42.460, the Clinton County Fiscal Court did not expend Local Government Economic Assistance funds for the purpose intended as noted in this comment.

DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* states KRS 42.455(2)(3)(4) specifically prohibits the expenditure of Local Government Economic Assistance funds for the administration of government.

County Judge/Executive's Response: Previous administration, payroll adjustments have been made. Account codes have been corrected.

2019-018 The County Failed To Properly Code And Record Receipts

During revenue testing, we noted 64 instances where receipts were posted to incorrect receipt account codes totaling \$510,278. In addition, the county failed to account for the receipt from the financing of medical equipment totaling \$52,710. Also, the county incorrectly deposited \$82,971 in the general fund that should have been deposited in the Road Fund.

This situation occurred due to lack of oversight and understanding.

Failure to comply with this policy could produce a skewed analysis of county receipts and may overstate the receipts in one fund while understating the receipts in the other.

The Kentucky Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* has statutory receipt account codes to be used for recording receipts to the receipt ledgers. In addition, posting to appropriate account codes may assist the county during budgeting processes and normal operating procedures.

We recommend that the county ensure receipts are posted and accounted for properly.

County Judge/Executive's Response: Previous county treasurer, funds will reimbursed before next fiscal year.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-019 The General Fund Has A Deficit Fund Balance Of \$60,452

As of June 30, 2019, the general fund had a deficit balance of \$60,452.

Cash Balance	\$	83,767
Payroll Account Balance		(61,248)
Interfund Payable Due To Road Fund		(82,971)
Fund Balance	\$	<u>(60,452)</u>

The general fund deficit was due to outstanding payroll liabilities and monies owed to the road fund.

The situation described resulted in a general fund negative balance of \$60,452. Non-allowable disbursements made by the general fund are due back to the road fund. Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for unpaid liabilities; however, the liability is still owed.

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*. The road fund is restricted for transportation, with the exception of the amount calculated on the road fund cost allocation worksheet.

We recommend the road fund liability and payroll account deficit be properly remedied.

County Judge/Executive's Response: Corrections in place.

2019-020 The County Failed To Properly Remit Taxes

This is a repeat finding and was included in the prior year audit report as finding 2018-010. The county failed to properly remit taxes to the Internal Revenue Service (IRS) and to the Kentucky Department of Revenue. Two (2) of Six (6) IRS payments for the year tested were not made timely of which one remained unpaid six (6) months later. Additionally, one (1) of six (6) state tax returns for the quarter tested was not remitted timely and remained unpaid six (6) months later.

The county failed to provide sufficient oversight or implement internal controls to ensure taxes are being remitted properly.

Federal and state taxes were not remitted in accordance with the required withholding deposit schedules that may result in penalties and interest being incurred.

Strong internal controls over the payroll process are essential in ensuring that employee withholdings and employer contributions are accurate and turned over to the appropriate taxing authorities.

Publication 15 Employer's Tax Guide (Circular E) and *Notice 931 Deposit Requirements For Employment Taxes* issued by the IRS require employers who are semiweekly schedule depositors to deposit federal taxes accumulated on taxes for payroll paid on Wednesday, Thursday, or Friday by the following Wednesday.

**CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-020 The County Failed To Properly Remit Taxes (Continued)

103 KAR 18:150 Section 2(4)(a) states, in part, "...any employer who withheld income tax of \$50,000 or more during the lookback period shall report and pay the tax twice monthly using Revenue Form K-1, 'Employer's Return of Income Tax Withheld'. Revenue Form K-1 and the income tax withheld during the first through the 15th day of each month of the calendar year shall be reported and paid on or before the 25th day of that month... income tax withheld during the 16th through the last day of each month... shall be reported and paid on or before the tenth day of the following month."

We recommend the fiscal court implement internal controls over payroll reporting and implement strong oversight over tax payments to state and federal entities.

County Judge/Executive's Response: All previous administration, all state and revenue taxes have been paid in full by current administration.

2019-021 The County Failed To Timely File and Pay Retirement

The fiscal court reported and paid the retirement payments for the month of April 2019 on June 5, 2019, after the statutory deadline. This late payment resulted in the county incurring late penalties.

The county failed to provide sufficient oversight or implement internal controls to ensure retirement was reported and paid correctly. Improper payment may lead to penalties and interest being assessed by the Kentucky Retirement System.

KRS 78.625(1) states, in part, "[t]he agency reporting official of the county shall file the following at the retirement office on or before the tenth day of the month following the period being reported: (a) The employee and employer contributions... (b) The employer contributions and reimbursements for retiree health insurance premiums... (c) A record of all contributions to the system on the forms prescribed by the systems."

KRS 61.675(3)(b) states, "[i]f the agency fails to file all contributions and reports on or before the tenth day of the month following the period being reported, interest on the delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars (\$1,000), shall be added to the amount due the system."

KRS 61.598(2)(a) states, "[f]or employees retiring from the Kentucky Employees Retirement System, the County Employees Retirement System, or the State Police Retirement System on or after January 1, 2018, the systems shall, for each of the retiring employee's last five (5) fiscal years of employment, identify any fiscal year in which the creditable compensation increased at a rate of ten percent (10%) or more annually over the immediately preceding fiscal year's creditable compensation. The employee's creditable compensation in the fiscal year immediately prior to the employee's last five (5) fiscal years of employment shall be utilized to compare the initial fiscal year in the five (5) fiscal year period."

KRS 61.598(2)(b) states, "[i]f the creditable compensation for a specific fiscal year identified under paragraph (a) of this subsection as exceeding the ten percent (10%) increase limitation is not used to calculate the retiring employee's monthly retirement allowance, then no reduction in creditable compensation shall occur for that fiscal year.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-021 The County Failed To Timely File And Pay Retirement (Continued)

KRS 61.598(2)(c) states, “[i]f the creditable compensation of the retiring employee is reduced as provided by paragraph (b) of this subsection, the retirement systems:

1. Shall refund the employee contributions and interest attributable to the reduction in creditable compensation; and
 2. Shall not refund the employer contributions paid but shall utilize those funds to pay down the unfunded liability of the pension fund in which the retiring employee participated.”
- (4) Subsection (2) of this section shall not apply to:
- (a) A bona fide promotion or career advancement as defined by subsection (1) of this section;
 - (b) A lump-sum payment for compensatory time paid to an employee upon termination of employment;
 - (c) A lump-sum payment made pursuant to an alternate sick leave program under KRS 78.616(5) that is paid to an employee upon termination of employment;
 - (d) Increases in creditable compensation in a fiscal year over the immediately preceding fiscal year, where in the immediately preceding fiscal year the employer reported the employee as being on leave without pay for any reason, including but not limited to sick leave without pay, maternity leave, leave authorized under the Family Medical Leave Act, and any period of time where the employee received workers' compensation benefit payments that were not reported to the plan as creditable compensation;
 - (e) Increases in creditable compensation directly attributable to an employee's receipt of compensation for overtime hours worked while serving as a participating employee under any state or federal grant, grant pass-through, or similar program that requires overtime as a condition or necessity of the employer's receipt of the grant; and
 - (f) Increases in creditable compensation directly attributable to an employee's receipt of compensation for overtime performed during a state of emergency declared by the President of the United States or the Governor of the Commonwealth of Kentucky.

We recommend the county establish procedures and internal controls to ensure retirement is properly reported and paid into the County Employees Retirement System (CERS) correctly.

County Judge/Executive's Response: Previous administration and treasurer, monthly corrections are being made to retirement's satisfaction.

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

CLINTON COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CLINTON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2019

The Clinton 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.



County Judge/Executive



County Treasurer