

**REPORT OF THE AUDIT OF THE  
JEFFERSON COUNTY  
CLERK**

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



**MIKE HARMON  
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## **EXECUTIVE SUMMARY**

### **AUDIT OF THE JEFFERSON COUNTY CLERK**

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

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2015. Based upon the audit work performed, the financial statements present fairly in all material respects, the receipts and disbursements of the Jefferson County Clerk and the receipts, disbursements, and fund balances of the Jefferson County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a county clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Clerk had total receipts of \$186,480,858, which was a \$7,601,734 increase from the prior year. Except for reimbursed expenses in the amount of \$5,114,725 and Louisville/Jefferson County Metro Government contributions of \$3,824,748, the clerk paid 25% of receipts to the Louisville/Jefferson County Metro Government in the amount of \$4,085,755. This was an increase of \$135,968 from the prior year. In addition, 75% fund operating disbursements increased by \$1,073,502.

#### **Lease Agreements:**

Lease principal payments totaled \$3,302 as of December 31, 2015. Future principal and interest payments of \$64,442 are needed to meet these obligations.

#### **Report Comment:**

2015-001 The Jefferson County Clerk's Election Center Provided Election Services For Private Entities

#### **Deposits:**

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



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying Statement of Receipts and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky and the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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



The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Jefferson County Clerk on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Jefferson County Clerk, as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Jefferson County Clerk and the receipts, disbursements, and fund balances of the Jefferson County Clerk's operating fund and county fund with the state treasurer for the year ended December 31, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the Jefferson County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

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

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

2015-001 The Jefferson County Clerk's Election Center Provided Election Services For Private Entities

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

November 17, 2016

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS

For The Year Ended December 31, 2015

Receipts

State Grants		\$	32,064
State Fees For Services			219,282
Louisville/Jefferson County Metro Government			3,824,748
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	18,832,382	
Usage Tax		73,485,721	
Tangible Personal Property Tax		65,819,297	
Notary Fees		422,885	
Other-			
Marriage Licenses		158,505	
Deed Transfer Tax		4,249,313	
Shelter for Spouse Abuse		52,440	
Delinquent Taxes		13,420,205	
Delinquent Taxes (Reimbursed)		10,973	176,451,721
Fees Collected for Services:			
Recordings-			
Deeds, Easements and Contracts		255,018	
Real Estate Mortgages		350,400	
Chattel Mortgages and Financing Statements		1,441,033	
Powers of Attorney		41,346	
Affordable Housing Trust		970,059	
Bail Bonds		1,216	
Fee for Library and Archives		136,567	
Tax Liens		246,895	
Extra Pages		1,051,998	
Assignments		25,074	
Releases		320,973	
Probate		22,544	
Lien Holder Penalties		7,626	
Corporate and Business		32,606	
All Other Recordings		18,966	

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

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Receipts (Continued)

Fees Collected for Services (Continued):

Charges for Other Services-

Candidate Filing Fees	\$	1,070	
Legal Records - Clerk Expense		332	
Legal Records - Clerk Expense (Reimbursed)		368,968	
Phone/Fax		4,265	
Postage		211,614	
Tracing		16,305	
Photostat		8,401	
Election Center Miscellaneous		3,392	
Motor Vehicle - Miscellaneous		371,412	
Motor Vehicle - Miscellaneous (Reimbursed)		1,285	
Returned Check Fees		9,614	
Miscellaneous (Reimbursed)		12,504	\$ 5,931,483

Interest Earned 21,560

Total Receipts 186,480,858

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 12,087,637
Usage Tax	71,279,501
Tangible Personal Property Tax	25,359,425

Licenses, Taxes, and Fees-

Delinquent Tax	1,133,405	
Legal Process Tax	580,714	
Affordable Housing Trust	970,059	
Miscellaneous	32,064	111,442,805

Payments to Louisville Metro:

Tangible Personal Property Tax	7,503,240	
Delinquent Tax	2,378,666	
Deed Transfer Tax	4,036,847	13,918,753

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

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

Disbursements (Continued)

Payments to Other Districts:		
Tangible Personal Property Tax	\$ 30,323,860	
Delinquent Tax	<u>5,956,511</u>	\$ 36,280,371
Payments to Sheriff		1,005,629
Payments to County Attorney		1,856,817
Other Disbursements:		
Bank Service Charges	518,737	
Uncollected NSF Checks	<u>37,959</u>	<u>556,696</u>
Total Disbursements		<u>\$ 165,061,071</u>
Net Receipts		21,419,787
Payments to State Treasurer:		
75% Operating Fund *	17,371,991	
25% County Fund	<u>4,085,755</u>	<u>21,457,746</u>
Balance Due at Completion of Audit **		<u>\$ (37,959)</u>

\* Includes reimbursed expenses in the amount of \$5,114,725 for the audit period.  
See Note 1 of Notes to Financial Statements.

\*\* See Note 12 of Notes to Financial Statements.

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2015

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2015	\$	\$	\$
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	17,371,991		17,371,991
Fees Paid to State - County Funds (25%)		4,085,755	4,085,755
Total Funds Available	17,371,991	4,085,755	21,457,746
<u>Disbursements</u>			
Louisville/Jefferson County Metro Government		4,085,755	4,085,755
Personnel Services-			
Official's Statutory Maximum	118,217		118,217
Official's Expense Allowance	3,941		3,941
Official's Training Incentive	3,600		3,600
Deputies' Salaries	8,707,575		8,707,575
Part Time Salaries	41,716		41,716
Overtime Gross	22,601		22,601
Employee Benefits-			
Employer's Share Social Security	624,952		624,952
Employer's Share Retirement	1,516,951		1,516,951
Employer's Share Health Insurance	1,601,399		1,601,399
Workers' Compensation	57,116		57,116
Unemployment Insurance	39,881		39,881
Other Payroll Disbursements	5,198		5,198
Occupancy-			
Rent	77,760		77,760
Telephone	55,254		55,254
Gas/Electric	17,617		17,617
Mileage and Gasoline-Delivery	14,974		14,974
Maintenance and Repairs	357,056		357,056

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

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
<hr/>			
<u>Disbursements (Continued)</u>			
Services-			
Personal Services	\$ 181,657	\$	\$ 181,657
Security Services	92,776		92,776
Janitorial Services	90,550		90,550
Temporary Services	12,586		12,586
Printing	308,688		308,688
Advertising	102,265		102,265
Election Worker Payments	979,567		979,567
Supplies-			
Postage and Delivery	238,595		238,595
Office Expense	209,463		209,463
Minor Equipment-			
Rental Equipment	38,090		38,090
Automotive Rental	16,096		16,096
Travel and Entertainment-			
Meetings	4,106		4,106
Seminars	4,074		4,074
Tuition	899		899
Other Operating-			
Insurance and Bonds	72,642		72,642
Returned Check Expense	(12,889)		(12,889)
Notary Bonds	2,052		2,052
Membership Dues	18,760		18,760
Subscriptions	13,829		13,829

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

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
For The Year Ended December 31, 2015  
(Continued)

	75%	25%	
	Operating	County	
	Fund	Fund	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Disbursements (Continued)</u>			
Capital Outlay-			
Office Equipment	\$ 6,486	\$	\$ 6,486
Computer Equipment	144,223		144,223
Computer Software	1,029		1,029
Furniture and Cabinets	452		452
Remodeling and Renovations	1,922		1,922
	<u>          </u>	<u>          </u>	<u>          </u>
Total Disbursements	<u>15,793,726</u>	<u>4,085,755</u>	<u>19,879,481</u>
Fund Balance - December 31, 2015	<u>\$ 1,578,265</u>	<u>\$ 0</u>	<u>\$ 1,578,265</u>

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

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the county clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the state treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a county clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2015 services
- Reimbursements for 2015 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2015

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.



JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

KRS 66.480 authorizes the county clerk's office to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent for the first six months and 17.06 percent for the last six months.

In accordance with Senate Bill 2, signed by the Governor on April 4, 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 account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county clerk's contribution for calendar year 2013 was \$1,582,356, calendar year 2014 was \$1,541,892, and calendar year 2015 was \$1,516,951.

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.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2015  
 (Continued)

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

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Jefferson County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county clerk's deposits may not be returned. The county clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of December 31, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2015  
 (Continued)

Note 4. Kentucky Local Records Grant

The Jefferson County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives (KDLA) in the amount of \$32,064 on February 10, 2014, to be expended by June 30, 2015. Funds totaling \$32,064 were returned to KDLA on August 14, 2015, in accordance with the grant agreement. The unexpended grant balance was \$0 as of December 31, 2015.

Note 5. Lease Agreements

The office of the Jefferson County Clerk was committed to the following lease agreements as of December 31, 2015:

Item Leased	Payment	Term Of Agreement	Ending Date	Principal Balance 12/31/15
Postage Meter	\$ 2,473	48 months	9/26/19	\$ 37,102
Postage Meter	423	48 months	11/1/17	3,386
Copier	406	60 months	12/7/20	23,954
Totals				<u>\$ 64,442</u>

Note 6. Rental Agreements

The Jefferson County Clerk was party to several rental agreements for copiers during fiscal year 2015. These agreements were on a month-to-month basis and could be terminated at any time.

Note 7. Going Out Of Business Account

This account is used for deposits made by companies who must post a bond when they have a going out of business sale. After the sale, the bond may be released to the company. The account had a beginning balance of \$16,944, receipts of \$7, and disbursements of \$7 for calendar year 2015. The account had a balance of \$16,944 as of December 31, 2015.

Note 8. Bankruptcy Account

This account is used for bankruptcy payments from the Chapter 13 bankruptcy trustee. The payments from the trustee are for tangible property tax due to the state or clerk or for delinquent property tax owed. The account had a beginning balance of \$79,155, receipts of \$38 in interest, and disbursements of \$38 during calendar year 2015. The account had a balance of \$79,155 as of December 31, 2015.

Note 9. Delinquent Tax Escrow Account

This account is used to account for funds received when a third party purchases a delinquent tax bill but cannot be located by the property owner when the property owner attempts to pay the bill. The county clerk accepts payment for the bill and keeps this money in escrow for the third party purchaser. The account had a beginning balance of \$18,682, receipts of \$3,033, and no disbursements for calendar year 2015. The account had a balance of \$21,715 as of December 31, 2015.

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2015  
(Continued)

Note 10. Outstanding Checks Escrow Account

This account is used to account for unclaimed checks written by the county clerk that are still outstanding after a period of time. The county clerk periodically moves the funds from the fee account to this account to facilitate balancing and to provide the necessary tracking of this unclaimed property. After three years, the county clerk will send these funds to the Kentucky State Treasury as property assumed abandoned, pursuant to KRS 393.090 and 393.110. The account had a beginning balance of \$3,787, receipts of \$3,961 and disbursements of \$7,730 for calendar year 2015. The account had a balance of \$18 as of December 31, 2015.

Note 11. Discretionary Fund Bank Account

The county clerk has established a discretionary account as provided by KRS 64.345. This fund is used to cover additional expenses related to extraordinary office expenses in amounts authorized by the approving authority. The account had a beginning balance of \$27,895, no receipts, disbursements of \$225, and an ending balance of \$27,670 as of December 31, 2015.

Note 12. Balance Due at Completion of Audit

This balance of \$37,959 is the result of the Jefferson County Clerk's overpayment of usage tax to the state and uncollected non-sufficient fund checks during calendar year 2015. This amount will need to be recovered from the state before the end of the term in order for the county clerk to have sufficient funds in the local bank account to pay all outstanding obligations.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Fischer, Mayor, Louisville/Jefferson County Metro Government  
The Honorable Bobbie Holsclaw, Jefferson County Clerk  
Members of the Louisville/Jefferson County Metro Council

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

Independent Auditor's Report

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 and Disbursements - Regulatory Basis of the County Clerk of Jefferson County, Kentucky, the Statement of Receipts, Disbursements, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer - Regulatory Basis for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 17, 2016. The Jefferson County Clerk's financial statements are prepared on a regulatory basis of accounting, which demonstrates compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Jefferson County Clerk's 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 statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson County Clerk's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements are 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying comment and recommendation as item 2015-001.

### **County Clerk's Response to Finding**

The Jefferson County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. The Jefferson County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

November 17, 2016



COMMENT AND RECOMMENDATION



JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS:

2015-001 The Jefferson County Clerk's Election Center Provided Election Services For Private Entities

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In the 2011 audit exit conference, it was noted that the Jefferson County Clerk's Election Center provided election services, for a fee, to private entities, such as unions and churches. The activity continued in 2012, 2013, 2014, and 2015. These services included preparation of ballots, delivery of the publicly owned voting machine to the private entity's location, monitoring of the private entity's election by a deputy county clerk, tallying the votes, and providing election results. The county clerk does not have a policy to prohibit the use of public equipment and personnel for private purposes. By continuing this activity, the county clerk is allowing the use of public equipment and personnel for a private entity's private purposes, and is charging a fee for a service where the fee is not authorized by statute. Per KRS 64.410(2)(b), a county clerk, as a fee officer, may not receive for her services "[a]ny fee for services rendered when the law has not fixed a compensation[.]" Further, public equipment and personnel may be used only for a public purpose, and use by a private entity is prohibited by Ky. Const. Sec. 171, as interpreted in OAG 84-190. We recommend the Jefferson County Clerk comply with KRS 64.410 and the Kentucky Constitution and discontinue providing and charging a fee for election services to private entities for the private purposes of those entities.

*County Clerk's Response: Last year, the Jefferson County Clerk's office provided a response to a comment almost identical to this comment. The Jefferson County Clerk provides election services as required by KRS Chapter 117 and complies with all requirements of Kentucky law in so doing. These services are not performed using fees from the Clerk's Fee Account which is the account examined in this Audit, nor do they fall under KRS Chapter 64 or Ky. Const. 171. This practice has occurred for over 50 years. Many County Clerks offer the same services.*

*The provision of election services provides a public service in educating voters, demonstrating the integrity of the voting system and providing valuable training and testing for election personnel and equipment. Use of the machines in election introduces potential voters to the process. It is such a good learning tool that the Kentucky State Board of Elections strongly promotes using voting machines and election personnel for mock elections for school children.*

*The voting machines are not paid for out of the Clerk's Fee Account but rather are purchased by Louisville Metro Government under KRS 117.377. The entities requesting the service reimburse the Clerk's Office for the equipment and for any hours that any Clerk's Office employee spends on the election. If the entities requesting the service did not reimburse the Clerk's Office, there is no doubt that this audit would criticize that practice as well.*

*The Audit's reliance to Kentucky Constitutional Section 171 is misplaced as that section covers the use of taxes for public purposes and no taxes are collected in this case. The Audit's citation to OAG 84-190 is puzzling because it supports the Clerk's Office use of the equipment as it holds that using county property on private land is permissible if it serves a public purpose. Voter education, election promotion and training are public purposes, according to OAG 92-87. In that opinion, the Attorney allowed a public office to donate public money to a charitable organization for voter education. OAG 92-87 states "We have no hesitation in concluding that increasing voter education, participation, and registration represent a valid public purpose." OAG 86-23 opines that a public entity may benefit a private entity if the purpose is a public one.*

*This matter was also reviewed by the Jefferson County Attorney three years ago and the matter concluded in favor of the Clerk's Office.*

JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
COMMENT AND RECOMMENDATION  
For The Year Ended December 31, 2015

STATE LAWS AND REGULATIONS: (Continued)

2015-001 The Jefferson County Clerk's Election Center Provided Election Services For Private Entities  
(Continued)

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Auditor's Reply: While using county clerk's deputies and voting machines to conduct mock elections for children at schools is a valid, educational use of personnel and equipment, that is not the activity at issue in the audit comment. The use of county clerk's deputies and equipment to conduct actual elections for private entities is the activity at issue. Further, the county clerk is violating state law by collecting a fee not provided for in statute. Although there may be some room for debate as to the outreach or educational value of these election services, it is clearly improper for the clerk's office to collect such an unauthorized fee.

Because deputies' salaries are paid from the fee account and the fees paid by the private entities are processed through the county clerk's accounting system, the activity is subject to the fee account audit and should comply with all applicable laws and regulations. In addition, whether the voting machines were purchased by the county clerk's office directly or by Louisville Metro Government, they are public equipment and are subject to the same restriction on use for private purposes.

