

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

**For The Year Ended  
December 31, 2016**



**MIKE HARMON  
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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, 2016, 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 and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

**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 and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

### **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, 2016, 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, 2016, 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 December 5, 2017, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

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

2016-001 The Jefferson County Clerk Is Charging A Fee And Using Public Equipment And Personnel To Provide Election Services To Private Agencies

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

December 5, 2017

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

For The Year Ended December 31, 2016

Receipts

|  |                   |             |
|--|-------------------|-------------|
| State Fees For Services                      |                   | \$ 206,441  |
| Louisville/Jefferson County Metro Government |                   | 3,321,132   |
| Licenses and Taxes:                          |                   |             |
| Motor Vehicle-                               |                   |             |
| Licenses and Transfers                       | \$ 20,836,896     |             |
| Usage Tax                                    | 77,293,317        |             |
| Tangible Personal Property Tax               | 69,026,902        |             |
| Notary Fees                                  | 448,214           |             |
| Other-                                       |                   |             |
| Marriage Licenses                            | 161,152           |             |
| Deed Transfer Tax                            | 4,814,322         |             |
| Delinquent Tax                               | <u>11,495,678</u> | 184,076,481 |
| Fees Collected for Services:                 |                   |             |
| Recordings-                                  |                   |             |
| Deeds, Easements and Contracts               | 274,296           |             |
| Real Estate Mortgages                        | 396,216           |             |
| Chattel Mortgages and Financing Statements   | 1,439,869         |             |
| Powers of Attorney                           | 41,181            |             |
| Affordable Housing Trust                     | 1,024,638         |             |
| Shelter for Spouse Abuse                     | 55,070            |             |
| Bail Bonds                                   | 1,444             |             |
| Fee for Library and Archives                 | 142,338           |             |
| Tax Liens                                    | 257,932           |             |
| Extra Pages                                  | 1,229,979         |             |
| Assignments                                  | 25,620            |             |
| Releases                                     | 333,480           |             |
| Probate                                      | 23,849            |             |
| Lien Holder Penalties                        | 8,082             |             |
| Corporation and Business                     | 32,600            |             |
| All Other Recordings                         | 21,850            |             |

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

JEFFERSON COUNTY  
BOBBIE HOLSCLOW, COUNTY CLERK  
STATEMENT OF RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
For The Year Ended December 31, 2016  
(Continued)

Receipts (Continued)

Fees Collected for Services (Continued):

|  |    |               |
|--|----|---------------|
| Charges for Other Services-              |    |               |
| Candidate Filing Fees                    | \$ | 11,280        |
| Legal Records-Clerk Expense              |    | 48            |
| Legal Records-Clerk Expense (Reimbursed) |    | 352,273       |
| Phone/Fax                                |    | 3,890         |
| Postage                                  |    | 219,465       |
| Tracing                                  |    | 29,598        |
| Photostat                                |    | 12,123        |
| Election Center Miscellaneous            |    | 5,291         |
| Motor Vehicle Miscellaneous              |    | 373,327       |
| Returned Check Fees                      |    | 7,566         |
| Library                                  |    | 10            |
| Miscellaneous (Reimbursed)               |    | <u>25,815</u> |
|  | \$ | 6,349,130     |
| Interest Earned                          |    | <u>18,188</u> |
| Total Receipts                           |    | 193,971,372   |

Disbursements

Payments to State:

|                                |    |                  |
|--------------------------------|----|------------------|
| Motor Vehicle-                 |    |                  |
| Licenses and Transfers         | \$ | 13,998,592       |
| Usage Tax                      |    | 74,972,121       |
| Tangible Personal Property Tax |    | 26,803,189       |
| Licenses, Taxes, and Fees-     |    |                  |
| Delinquent Tax                 |    | 987,806          |
| Legal Process Tax              |    | 605,687          |
| Affordable Housing Trust       |    | <u>1,024,638</u> |
|                                |    | 118,392,033      |
| Payments to Fiscal Court:      |    |                  |
| Tangible Personal Property Tax |    | 7,829,909        |
| Delinquent Tax                 |    | 2,163,419        |
| Deed Transfer Tax              |    | <u>4,573,605</u> |
|                                |    | 14,566,933       |
| Payments to Other Districts:   |    |                  |
| Tangible Personal Property Tax |    | 31,632,728       |
| Delinquent Tax                 |    | <u>4,978,078</u> |
|                                |    | 36,610,806       |

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, 2016  
(Continued)

Disbursements (Continued)

|                                       |    |         |                  |                       |
|---------------------------------------|----|---------|------------------|-----------------------|
| Payments to Sheriff                   |    | \$      | 832,505          |                       |
| Payments to County Attorney           |    |         | 1,577,471        |                       |
| Other Disbursements:                  |    |         |                  |                       |
| Bank Service Charges                  | \$ | 558,725 |                  |                       |
| Library                               |    | 10      |                  |                       |
| Uncollected NSF Checks                |    | 9,710   | <u>568,445</u>   |                       |
| Total Disbursements                   |    |         |                  | <u>\$ 172,548,193</u> |
| Net Receipts                          |    |         |                  | 21,423,179            |
| Payments to State Treasurer:          |    |         |                  |                       |
| 75% Operating Fund *                  |    |         | 17,235,663       |                       |
| 25% County Fund                       |    |         | <u>4,197,226</u> | <u>21,432,889</u>     |
| Balance Due at Completion of Audit ** |    |         |                  | <u>\$ (9,710)</u>     |

\* Includes reimbursed expenses in the amount of \$4,643,985 for the audit period.  
See Note 1 of Notes to Financial Statements.

\*\* See Note 11 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, 2016

|  | 75%<br>Operating<br>Fund | 25%<br>County<br>Fund | Totals            |
|--|--------------------------|-----------------------|-------------------|
| Fund Balance - January 1, 2016               | \$ 1,578,265             | \$                    | \$ 1,578,265      |
| <u>Receipts</u>                              |                          |                       |                   |
| Fees Paid to State - Operating Funds (75%)   | 17,235,663               |                       | 17,235,663        |
| Fees Paid to State - County Funds (25%)      |                          | 4,197,226             | 4,197,226         |
| Total Funds Available                        | <u>18,813,928</u>        | <u>4,197,226</u>      | <u>23,011,154</u> |
| <u>Disbursements</u>                         |                          |                       |                   |
| Louisville/Jefferson County Metro Government |                          | 4,197,226             | 4,197,226         |
| Personnel Services-                          |                          |                       |                   |
| Official's Statutory Maximum                 | 119,080                  |                       | 119,080           |
| Official's Expense Allowance                 | 3,600                    |                       | 3,600             |
| Official's Training Incentive                | 3,969                    |                       | 3,969             |
| Deputies' Salaries                           | 8,693,664                |                       | 8,693,664         |
| Part Time Salaries                           | 26,514                   |                       | 26,514            |
| Overtime Gross                               | 23,727                   |                       | 23,727            |
| Employee Benefits-                           |                          |                       |                   |
| Employer's Share Social Security             | 629,983                  |                       | 629,983           |
| Employer's Share Retirement                  | 1,551,647                |                       | 1,551,647         |
| Employer's Share Health Insurance            | 1,588,812                |                       | 1,588,812         |
| Workers' Compensation                        | 64,652                   |                       | 64,652            |
| Unemployment Insurance                       | 35,894                   |                       | 35,894            |
| Other Payroll Disbursements                  | 5,670                    |                       | 5,670             |
| Occupancy-                                   |                          |                       |                   |
| Rent   | 77,760                   |                       | 77,760            |
| Telephone                                    | 75,116                   |                       | 75,116            |
| Gas/Electric                                 | 16,708                   |                       | 16,708            |
| Mileage and Gasoline-Delivery                | 11,678                   |                       | 11,678            |
| Maintenance and Repairs                      | 360,427                  |                       | 360,427           |

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, 2016  
(Continued)

Disbursements (Continued)

|                                  |              |           |              |
|----------------------------------|--------------|-----------|--------------|
| Services-                        |              |           |              |
| Personal Services                | \$ 256,699   | \$        | \$ 256,699   |
| Security Services                | 75,854       |           | 75,854       |
| Janitorial Services              | 99,854       |           | 99,854       |
| Printing                         | 393,374      |           | 393,374      |
| Advertising                      | 157,538      |           | 157,538      |
| Election Worker Payments         | 983,549      |           | 983,549      |
| Supplies-                        |              |           |              |
| Postage and Delivery             | 123,681      |           | 123,681      |
| Office Expense                   | 194,240      |           | 194,240      |
| Minor Equipment-                 |              |           |              |
| Rental Equipment                 | 38,432       |           | 38,432       |
| Automotive Rental                | 15,175       |           | 15,175       |
| Travel and Entertainment-        |              |           |              |
| Meetings                         | 1,200        |           | 1,200        |
| Seminars                         | 3,290        |           | 3,290        |
| Tuition                          | 365          |           | 365          |
| Other Operating-                 |              |           |              |
| Insurance and Bonds              | 75,590       |           | 75,590       |
| Returned Check Expense           | 44,577       |           | 44,577       |
| Notary Bonds                     | 1,664        |           | 1,664        |
| Membership Dues                  | 20,010       |           | 20,010       |
| Subscriptions                    | 16,365       |           | 16,365       |
| Capital Outlay-                  |              |           |              |
| Office Equipment                 | \$ 16,904    | \$        | \$ 16,904    |
| Computer Equipment               | 396,572      |           | 396,572      |
| Computer Software                | 18,748       |           | 18,748       |
| Furniture and Cabinets           | 32,658       |           | 32,658       |
| Remodeling and Renovations       | 453,261      |           | 453,261      |
| Total Disbursements              | 16,708,501   | 4,197,226 | 20,905,727   |
| Fund Balance - December 31, 2016 | \$ 2,105,427 | \$ 0      | \$ 2,105,427 |

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

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

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.

Also, some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

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 2016 services
- Reimbursements for 2016 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 2016

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).

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

The county official and employees have 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.

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 17.06 percent for the first six months and 18.68 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. Nonhazardous members contribute five percent 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 nonhazardous member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county clerk's contribution for calendar year 2014 was \$1,541,892, calendar year 2015 was \$1,516,951, and calendar year 2016 was \$1,551,647.

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.

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%  |

JEFFERSON COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2016  
 (Continued)

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

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

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 3. Deposits

The 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, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Lease Agreements

The Jefferson County Clerk's office committed to the following lease agreements as of December 31, 2016:

| Item<br>Leased | Payment  | Term Of<br>Agreement | Ending<br>Date | Principal<br>Balance<br>12/31/16 |
|----------------|----------|----------------------|----------------|----------------------------------|
| Postage Meter  | \$ 2,473 | 48 months            | 9/26/19        | \$ 27,208                        |
| Postage Meter  | 423      | 48 months            | 11/1/17        | 1,693                            |
| Copier         | 406      | 60 months            | 12/7/20        | 14,379                           |
| Total          |          |                      |                | <u>\$ 43,280</u>                 |

JEFFERSON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2016  
(Continued)

Note 5. Rental Agreements

The Jefferson County Clerk was party to several rental agreements for copiers during calendar year 2016. These agreements were on a month-to-month basis and could be terminated at any time.

Note 6. 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, \$7 in receipts, and \$7 in disbursements for calendar year 2016. The account had a balance of \$16,944 as of December 31, 2016.

Note 7. 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, \$38 in receipts, and \$38 in disbursements during calendar year 2016. The account had a balance of \$79,155 as of December 31, 2016.

Note 8. 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 \$21,715, receipts of \$3,232, and no disbursements for calendar year 2016. The account had a balance of \$24,947 as of December 31, 2016.

Note 9. 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 \$18, receipts of \$10,726, and disbursements of \$7,251 for calendar year 2016. The account had a balance of \$3,493 as of December 31, 2016.

Note 10. 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 \$27,670, no receipts, and disbursements of \$40, and an ending balance of \$27,630 as of December 31, 2016.

Note 11. Deficit Balance Due at Completion of Audit

This deficit of \$9,710 is the result of the Jefferson County Clerk's uncollected non-sufficient funds checks during calendar year 2016. 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.

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

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**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, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2017. 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 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as item 2016-001.

**Views of Responsible Official and Planned Corrective Action**

The Jefferson County Clerk's views and planned corrective action for the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The Jefferson County Clerk's response was not subjected to the auditing procedures applied in the audit of the financial statements and, according 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,

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

December 5, 2017

SCHEDULE OF FINDINGS AND RESPONSES

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JEFFERSON COUNTY  
BOBBIE HOLSCLAW, COUNTY CLERK  
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended December 31, 2016

STATE LAWS AND REGULATIONS:

2016-001 The Jefferson County Clerk Is Charging A Fee And Using Public Equipment And Personnel To Provide Election Services To Private Agencies

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In the 2011 audit exit conference, it was noted that the 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, 2015 and 2016. 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 clerk, tallying the votes, and providing election results.

The clerk does not have a policy to prohibit the use of public equipment and personnel for private purposes. By continuing this activity, the 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 clerk, as a fee officer, may not receive for her services any 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 such 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: We disagree with this finding:*

*The JCCO, the JCAO and the County Board continue to believe 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 public purpose." OAG 86-23 opines that a public entity may benefit from a private entity if the purpose is a public one.*

*In fact, the Jefferson County Attorney's Office developed a contract that must be signed by their office and the client for the JCCO to provide the service; they also assisted with developing procedures pertaining to the use of the equipment.*

*Therefore election services are still provided for a fee, to private entities, such as unions and churches.*

Auditor's Reply: The use of county clerk deputies and voting machines to conduct mock elections for children at school is a valid educational use of personnel and equipment and 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 mandated in statute as a required fee to be collected by a county clerk. 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 county clerk's office to collect such an unauthorized fee.