

CHRISTIAN COUNTY CLERK

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY CLERK

For The Year Ended December 31, 2007

York, Neel & Co.-Hopkinsville, LLP has completed the Christian County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the 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 Christian County Clerk had total receipts of \$12,503,784, which was a \$947,549 increase from the prior year. Except for reimbursed expenses in the amount of \$75,917 and fiscal court contributions of \$12,146, the clerk paid 25% of receipts to the Christian County Fiscal Court in the amount of \$350,942. This was an increase of \$74,669 from the prior year. In addition, disbursements increased by \$634,614.

Deposits:

The County Clerk's deposits were covered by FDIC insurance and a properly executed security agreement, but the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement. The County Clerk's deposits as of April 4, 2007 were exposed to custodial risk as follows:

- Uninsured and unsecured \$40,219

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Revenues and Expenditures – Regulatory Basis	3
Statement of Revenues, Expenditures, and Fund Balances of the County Clerk's Operating Fund and County Fund with the State Treasurer – Regulatory Basis	5
Notes to the Financial Statements	7
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 <i>Government Auditing Standards</i>	10



& CO. - HOPKINSVILLE LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

1113 BETHEL STREET
HOPKINSVILLE, KENTUCKY 42240
(270) 886-0206 - FAX (270) 886-0875
E-MAIL: yorkneelcohopkin@bellsouth.net

FIRM ID # 61-1313802

LEONARD F. ADCOCK, CPA
JOHN M. DeANGELIS, CPA
KERRY T. FORT, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Steve Tribble, Christian County Judge/Executive;
Honorable Michael Kem, Christian County Clerk;
Members of the Christian County Fiscal Court
Hopkinsville, Kentucky

We have audited the accompanying statement of revenues and expenditures – regulatory basis of the County Clerk of Christian County, Kentucky, and the statements of revenues, expenditures, 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, 2007. These financial statements are the responsibility of the County Clerk. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2009 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing,

and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Christian County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

York, Neel + Co. - HopKINSville, LL P

Hopkinsville, Kentucky
July 6, 2009

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Revenues

State Fees for Services		\$ 22,665
Fiscal Court		12,146
Licenses and Taxes:		
Motor Vehicle -		
Licenses and Transfers	\$ 1,952,104	
Usage Tax	5,650,568	
Tangible Personal Property Tax	3,446,399	
Other -		
Affordable Housing Trust	73,806	
Marriage Licenses	39,583	
Occupational Licenses	6,391	
Beer and Liquor Licenses	9,725	
Lien Fees	21,260	
Deed Transfer Tax	211,762	
Delinquent Taxes	<u>519,251</u>	11,930,849
Fees Collected for Services:		
Recordings -		
Deeds, Easements, and Contracts	35,185	
Real Estate Mortgages	149,758	
Chattel Mortgages and Financing Statements	198,752	
Powers of Attorney	4,796	
All Other Recordings	87,274	
Charges for Other Services -		
Candidate Filing Fees	290	
Copywork	10,530	
Website Access Fees - Recordings	<u>28,100</u>	514,685
Other:		
Vehicle Inspections - Sheriff Fees	225	
Miscellaneous	3,107	
Debit Card Transaction Fees	3,472	
Miscellaneous Refunds	<u>3,996</u>	10,800
Interest Earned		<u>12,639</u>
Total Revenues		12,503,784

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

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)

Expenditures

Payments to State:

Motor Vehicle -

Licenses and Transfers	\$ 1,391,828	
Usage Tax	5,478,106	
Tangible Personal Property Tax	1,192,599	
Licenses, Taxes, and Fees -		
Affordable Housing Trust	73,806	
Delinquent Tax	139,614	
Legal Process Tax	61,064	
Other Licenses	<u>14,981</u>	\$ 8,351,998

Payments to Fiscal Court:

Tangible Personal Property Tax	286,063	
Delinquent Tax	62,400	
Deed Transfer Tax	201,174	
Occupational Licenses	4,410	
Beer and Liquor Licenses	9,181	
Other	<u>2,308</u>	565,536

Payments to Other Districts:

Tangible Personal Property Tax	1,825,762	
Delinquent Tax	<u>184,490</u>	2,010,252

Payments to Sheriff

9,517

Payments to County Attorney

76,822

Operating Expenditures:

Other Charges -

Returned Checks		<u>9,974</u>
-----------------	--	--------------

Total Expenditures

11,024,099

Net Revenues

\$ 1,479,685

Payments to State Treasurer:

75% Operating Fund - 2007 Account	1,128,743	
25% County Fund - 2007 Account	<u>350,942</u>	<u>1,479,685</u>

Balance Due at Completion of Audit

\$ -

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

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, 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, 2007

	<u>75%</u> <u>Operating</u> <u>Fund</u>	<u>25%</u> <u>County</u> <u>Fund</u>	<u>Totals</u>
Fund Balance - January 1, 2007	\$ -	\$ -	\$ -
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,128,743	-	1,128,743
Fees Paid to State - County Funds (25%)	<u>-</u>	<u>350,942</u>	<u>350,942</u>
Total Funds Available	1,128,743	350,942	1,479,685
<u>Expenditures</u>			
Christian County Government	-	350,942	350,942
Personnel Services -			
Official's Statutory Maximum	91,437	-	91,437
Official's Expense Allowance	3,600	-	3,600
Official's Training Incentive	3,387	-	3,387
Deputies Salaries	470,179	-	470,179
Employee Benefits -			
Employer's Share Social Security	40,250	-	40,250
Employer's Share Retirement	70,108	-	70,108
Employer's Paid Health Insurance	149,830	-	149,830
Other Payroll Disbursements	2,483	-	2,483
Contracted Services -			
Advertising	429	-	429
Computer Software Development	3,280	-	3,280
Other Contracted Services	8,466	-	8,466
Printing and Binding	2,662	-	2,662
Supplies and Materials -			
Land Records Supplies	10,553	-	10,553
Data Processing Supplies	4,114	-	4,114
Duplicating Supplies	25	-	25
Office Supplies	19,818	-	19,818

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

CHRISTIAN COUNTY
MICHAEL A. KEM, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, 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, 2007
(continued)

	<u>75%</u> <u>Operating</u> <u>Fund</u>	<u>25%</u> <u>County</u> <u>Fund</u>	<u>Totals</u>
<u>Expenditures (Continued)</u>			
Other Charges -			
Conventions and Travel	\$ 9,096	\$ -	\$ 9,096
Dues	677	-	677
Equipment Repairs	1,129	-	1,129
Maintenance	3,880	-	3,880
Insurance	4,192	-	4,192
Postage	9,218	-	9,218
Telephone and Internet	2,001	-	2,001
Uniforms	968	-	968
Capital Outlay -			
Office Equipment	11,766	-	11,766
Furniture and Fixtures	<u>7,039</u>	<u>-</u>	<u>7,039</u>
Total Expenditures	<u>930,587</u>	<u>350,942</u>	<u>1,281,529</u>
Fund Balance - December 31, 2007	<u>\$ 198,156</u>	<u>\$ -</u>	<u>\$ 198,156</u>

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

**CHRISTIAN COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS**

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 revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs 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 is 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 is 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, revenues and expenditures 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 2007 services
- Reimbursements for 2007 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 2007

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.

**CHRISTIAN COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies, continued

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

2. Employee Retirement System

The county officials 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. This is a cost-sharing, multiple-employer, defined benefit pension plan that 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 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year. The Clerk's contribution to CERS for the three years ended December 31, 2007, 2006, and 2005 was \$70,108, \$53,881, and \$42,277, respectively, equal to the required contribution for these years.

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.

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

3. Deposits

The 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(4), 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.

**CHRISTIAN COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS**

3. Deposits, continued

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 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed security agreement. However, as of April 4, 2007, \$40,219 of public funds were exposed to custodial credit risk because the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

4. Libraries and Archives Local Records Grant

In 2006, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$15,120. The Christian County Treasurer's office handles the grant funds. At December 31, 2006, the unexpended grant balance was \$7,569. Interest in the amount of \$4 was received during the year. Funds totaling \$7,573 were expended during the year. As of December 31, 2007, the grant funds had been fully expended.



& CO. - HOPKINSVILLE LLP

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

1113 BETHEL STREET
HOPKINSVILLE, KENTUCKY 42240
(270) 886-0206 - FAX (270) 886-0875
E-MAIL: yorkneelcohopkin@bellsouth.net

FIRM ID # 61-1313802

LEONARD F. ADCOCK, CPA
JOHN M. DeANGELIS, CPA
KERRY T. FORT, CPA

**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**

The Honorable Steve Tribble, Christian County Judge/Executive,
Honorable Michael Kem, Christian County Clerk,
Members of the Christian County Fiscal Court
Hopkinsville, Kentucky

We have audited the financial statements – regulatory basis of the Christian County Clerk for the year ended December 31, 2007, and have issued our report thereon dated July 6, 2009. The County Clerk’s financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Christian County Clerk’s internal control over financial reporting as a basis for designing our auditing procedures 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 Christian County Clerk’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk’s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County Clerk’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the County Clerk’s financial statements that is more than inconsequential will not be prevented or detected by the County Clerk’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Clerk’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian County Clerk's financial statements as of December 31, 2007, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Christian County Fiscal Court, and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

York, Neel & Co. - Hopkinsville LLP

Hopkinsville, Kentucky
July 6, 2009