



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Mason County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Mason County Fiscal Court for the fiscal year ended June 30, 2020. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in fund balances of the Mason County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court’s financial statement did not follow this format. However, the fiscal court’s financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 115 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

**The Mason County Fiscal Court did not properly report budget amounts on the fourth quarter financial statement:** The budgeted amounts approved by the Mason County Fiscal Court and the Department for Local Government (DLG) did not agree to the county’s fourth quarter financial report. The following variances were noted:

- General fund budgeted receipts were understated \$795,769 and budgeted disbursements were understated \$995,769.
- Road fund budgeted receipts were overstated \$13,903 and budgeted disbursements were understated \$173,018.

- Jail fund budgeted disbursements were overstated \$53,627.
- Federal fund budgeted receipts were overstated \$7,680 and budgeted disbursements were overstated \$7,680.
- Landfill fund budgeted receipts were understated \$204,000 and budgeted disbursements were understated \$204,000.

This was due to a lack of management oversight to ensure the budgeted and amended amounts are properly reported and disclosed on the fourth quarter financial statement. Furthermore, according to the county treasurer there were some issues with the accounting software that did not get corrected until the next fiscal year. As a result, the fourth quarter financial statement understated budgeted receipts by \$978,186 and budgeted disbursements by \$1,311,481.

Kentucky Revised Statute (KRS) 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Per the *County Budget Preparation and State Local Finance Officer Policy Manual*, original budget estimate and amendment amounts reported on the fourth quarter financial statement should agree to the approved original budget and approved budget amendments.

We recommend the fiscal court review the fourth quarter financial statement to ensure the original budget and budget amendment amounts approved by the fiscal court are accurately reported.

*County Judge/Executive's Response: I had made changes to the prior year and the report I sent to DLG was prior to those changes being made. I will make sure going forward that any adjustments made will be sent to DLG as well.*

**The fourth quarter liabilities journal was materially misstated:** The liabilities journal did not reconcile to the county's debt schedules, materially misstating debt obligations. The following misstatements over \$10,000 were noted:

- PPC Refunding Revenue Bonds, Series 2007, principal balance was understated by \$333,377 and interest balance was understated \$76,808.
- PPC Revenue Bonds (Courthouse Facility Project), Series 2017, principal and interest was not included on the fourth quarter report, resulting in an understatement of \$573,494.
- Landfill Phases IV & V principal balance was understated by \$178,220.
- Ameresco Energy Project principal balance was understated by \$34,127 and interest balance was understated by \$10,043.
- Sheriff's vehicles principal and interest was not included on the fourth quarter report, resulting in an understatement of \$46,638.

The fourth quarter report liabilities journal is not being reconciled to the debt amortization schedules. As a result, liabilities information is not accurately presented to the fiscal court, Department for Local Government (DLG), and any other individuals interested in the county's financial condition. The DLG, under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe a uniform system of accounts. As outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the debt section of the fourth quarter financial report to be utilized for reporting all current

long-term debt, including public corporation bonds, general obligation bonds, government leasing act issues and bond anticipation notes. The liabilities information reported needs to be accurate.

We recommend that fiscal court ensure all debt payments are accounted for and reported accurately on the liabilities journal.

*County Judge/Executive's Response: A Public Properties Corporation lease was not listed on my liabilities report. That has been corrected.*

**The Mason County Jailer did not submit an annual commissary report:** This is a repeat finding was included in the prior year audit report as Finding 2019-002. The jailer did not submit an annual commissary report to the county treasurer. According to the jailer, this was due to oversight. The jailer did provide monthly commissary reports that were submitted to the county treasurer. The failure to maintain accurate, detailed reports does not provide a true picture of the activities within the jailer's accounts. It also increases the risk of errors, fraud, misstatements, or omissions.

KRS 441.135(2) states in part, "[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account." The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines an example of an annual commissary report that may be used for the year-end report submitted to the county treasurer pursuant to KRS 441.135(2). We recommend the jailer prepare an annual commissary report and submit it to the county treasurer.

*Jailer's Response: As the above noted year end report was made - however, not in a timely manner. Corrective action taken - 2020-2021 FY report filed on time and correctly.*

The audit report can be found on the [auditor's website](#).

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