



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Shelby County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Shelby 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 Shelby 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 comment:

The Shelby County Fiscal Court did not properly account for all debt activity and exceeded their budget: The Shelby County Fiscal Court did not properly budget and account for the activity of a new roof for the park in the amount of \$400,000. The general fund debt activity line item was over budget by the \$400,000 amount related to the project.

The vendor was paid \$400,000 directly by the Kentucky Association of Counties (KACo), therefore the county treasurer was unaware she needed to include the amount on the receipts and disbursements ledger. The receipt and disbursement ledgers for the fiscal year were understated by \$400,000 and overspent their budget for all debt activity in the general fund.

Good internal controls dictate that the county implement procedures to ensure all debt activity is properly reported and expenditures are within their approved budget. Per the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, the fiscal court should properly budget and account for all debt service payments. The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity, and is required to be adopted by the fiscal court by July 1.

We recommend the Shelby County Fiscal Court properly budget and account for all debt service payments, all borrowed money, and any related purchases. Further, we recommend the county monitor their budget for any needed amendments to avoid future overages related to debt service lines.

County Judge/Executive's Response: The Park obtained a loan using the fiscal court's Tax ID number, upon notice of this loan, I requested from court permission to add in a new revenue line, appropriation line, and to add the pre-approved standing orders on 12/3/2021. I did not add in dollar amounts to these funds or conduct a budget amendment for payments for the remainder of FY 2019-2020, as we were just a pass through for payments for the park. The payment amounts for principle and interest were placed in the new fiscal year budget of 2020-2021, this issue has been resolved. Also, the amount stated in the above finding states \$400,000, those funds were not received by SCFC but by the park, the only amount the SCFC would receive and pay in FY 19-20, would have been \$8,837.78 not the full \$400,000, we ask that you please correct this amount in your findings.

Auditor's Reply: The park is a part of the general fund of the Shelby County Fiscal Court. Per the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*, all debt should be budgeted and amendments approved, if necessary.

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

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