



Auditor of Public Accounts
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Harmon Releases Audit of Estill County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Estill County Fiscal Court for the fiscal year ended June 30, 2022. 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 Estill 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 116 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 finding:

The Estill County Fiscal Court posted draws on Chemical Stockpile Emergency Preparedness Program (CSEPP) line of credit to the incorrect line item on the quarterly report: This is a repeat finding and was included in the prior year audit report as finding 2021-006. Estill County has a line of credit with the local bank that provides the fiscal court a mechanism to pay for Chemical Stockpile Emergency Preparedness Program (CSEPP) funded projects until they can subsequently seek financial reimbursement from the Kentucky Division of Emergency Management (KyEM). During Fiscal Year 2022, Estill County drew down \$1,145,905 on the line of credit and posted those draws they received to account code 4732 Revolving Loan Revenue according to the Department for Local Government's (DLG) Budget Manual. However, since the money is drawn down on a loan, the amounts received should have been posted to account

code 4911 Borrowed Money. As a result, a material adjusting journal entry had to be made to reclassify this amount from account code 75-4732 to 75-4911.

The draws on this line of credit have been posted to account code 4732 since it began, and the county was never made aware that it should have been posted elsewhere.

As a result, the fiscal court is not in compliance with requirements set by the Department for Local Government when recording proceeds from financial obligations.

Per KRS 68.210, DLG's *County Budget Preparation and State Local Finance Office Policy Manual* specifies a uniform system of accounts to be followed by county governments. This manual designates account code 4911 as the proper code for borrowed money proceeds.

We recommend the fiscal court start recording draws on lines of credit to account code 4911 to ensure they are in compliance with DLG's Uniform System of Accounts.

County Judge/Executive's Response: Draws received from revolving line of credit were posted to account code 75-4732 Revolving Loan Revenue since first revolving loan originated in 2019. This account was used from the County Budget Manual.

Line of credit draws have been reclassified to revenue code 75-4911 Borrowed Money as recommended in audit.

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

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