



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Martin County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Martin 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 Martin 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 Martin County Fiscal Court failed to implement adequate controls over debt related transactions that resulted in exceeding the approved budget:** This is a repeat finding and was included in the prior year audit report as Finding 2021-003. During the year, there was a debt instrument where the principal and interest were paid on the county's behalf by another party totaling \$18,109. These transactions were not included in the receipts and disbursements of the county. As a result, the fiscal court failed to properly budget for the debt-related receipts and disbursements in the general fund. Failing to account for this activity resulted in appropriations in excess of budget in the general fund debt service category of \$18,109.

Management was unaware that financing obligations proceeds and activity paid on the county's behalf by a third party must be shown on the financial statement and budgeted, even when the county does not receive the proceeds or the funds do not flow through the county.

The occurrence described above resulted in adjustments to include this activity on the fourth quarter financial report which resulted in county appropriations exceeding the approved budget.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void." KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

We recommend fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all fiscal court disbursements and amending the budget as necessary to reflect all receipts and disbursements involving obligations of the county.

*County Judge/Executive's Response: Previous Administration. An appropriations transfer was made to rectify this in the October meeting to be incorporated into the 2023 budget. The Fiscal Court will start reporting the third-party loan in their annual budget.*

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

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