



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, 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 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 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 findings:

**The fiscal court did not establish adequate controls over the capital projects fund:** The fiscal court did not maintain adequate controls over the capital projects fund. No financial statement was prepared and no information regarding the activity in the fund was submitted to the fiscal court for review. This fund is for reporting of debt financing for the fiscal court and not included on the quarterly report, per Department for Local Government (DLG) guidelines. Receipts for this fund during Fiscal Year 2022 totaled \$330,831 and disbursements totaled \$2,057,708, so there is significant activity to be accounted for.

The fiscal court did not have controls in place to ensure preparation of a financial statement for the capital projects fund. By not preparing an annual financial statement, the fiscal court is not

aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in undetected fraud, errors, or misstatements occurring.

The fiscal court is financially accountable and legally obligated for the debt of the capital projects fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained and complete and accurate information is available for review.

We recommend the county treasurer prepare a financial statement for the capital projects fund that is submitted to the fiscal court for review.

*Treasurer's Response: The capital projects fund for the Court Facilities Project was not included in the liabilities report, including a financial statement, because AOC has funded this project 100% and Kim Muse, treasurer, has no regular access to the statements and activities of this liability. Ms. Muse has corrected this to request monthly statements from our trustee on this account with AOC at the Bank of Maysville and reconcile with them as well as establish a financial statement including this fund for every month in the future. Ms. Muse has corrected this as of June 2023 when she was notified of this error and will continue to provide a financial statement and complete liabilities journal in the future.*

**Budget amounts were misstated on the quarterly report:** The county treasurer input budget amounts incorrectly. Due to not having adequate control procedures in place such as independent review or monitoring, the county treasurer made a mistake that went undetected. As a result, the total budgeted receipts on the quarterly report were overstated by \$517,200 and the disbursements were overstated by \$485,000. Adjustments were required by auditor to post the approved budget amounts to the funds.

The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports.

We recommend the approved budget amounts and amendments be accurately included on the quarterly reports so that the fiscal court and regulatory agencies such as DLG can accurately monitor the county's budget.

*Treasurer's Response: The receipts totaling \$517,200 consist of (1) General Fund - \$50,000 which was a foundation grant received but not spent in that fiscal year, the Rosenwald Negro School grant. I didn't do a budget amendment as it wasn't spent, therefore no expenditure account assigned. (2) Jail Fund - \$37,200 - \$16,200 was additional salary reimbursement on account 03-4799 for a jail employee salary paid by commissary that was through a specific expenditure account, so I made no increase on the Jail expenditure side. We also started receiving a jail inmate per diem amount from the state because of COVID for \$21,000. I put in a new account code 03-4503 for it but did not add an expenditure code as it wasn't used for a specific expenditure. (3) Federal fund - \$430,000 which were 2 grant COVID 19 utility assistant grant which was received but not expended until the next fiscal year when we reimbursed it back to DLG as the amount was lowered to \$50,000 and Senior Housing Grant for \$265,000 which was received and never expended. We returned the money and reapplied for a larger amount in 2023-2024. No budget amendment needed because it wasn't expended in 21-22.*

*These were all unusual as they weren't spent in that year, or at all. I will consult with my DLG representative to see how I should handle it in the future and will implement their suggestion immediately.*

*Auditor's Reply: According to the County Budget Preparation and State Local Finance Officer Policy Manual, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports.*

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

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