



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Montgomery County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Montgomery County Fiscal Court for the fiscal year ended June 30, 2021. 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 Montgomery 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 Montgomery County Fiscal Court did not properly amend the Fiscal Year 2021 budget to include the federal American Rescue Plan Act (ARPA) funds: The Montgomery County Fiscal Court received federal American Rescue Plan Act (ARPA) fund receipts in the amount of \$2,734,584 during Fiscal Year 2021. There was no amendment completed and approved by the fiscal court for the ARPA funds to be added to the final budget.

According to the county, this was due to the timing of the receipt of funds and their fiscal court meetings that they could not amend the budget.

As a result, the Montgomery County Fiscal Court did not comply with the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* and instructions sent out by DLG on how ARPA fund receipts should be handled.

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*, "it is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if the grant was not a part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds."

On May 13, 2021, DLG issued a memorandum of information to county officials stating, "[p]er 109 KAR 15:020, the 'County Budget Preparation and State Local Finance Officer Policy Manual' (SLFO Policy Manual), upon receipt of your ARPA allocation, counties should amend their current fiscal year budget."

We recommend the fiscal court follow DLG guidance in the future for grant receipts and complete budget amendments.

County Judge/Executive's Response: Based on my understanding of the budget amendment process and the timeframe in which these funds were received from the US Treasury, I disagree with the finding. The funds were received, recorded, and reflected as new revenue on Montgomery County's June 2021 Financial report and the FY 2021 – 4th Quarter report. The budget amendment process was started with the first reading on July 20, 2021, followed by DLG approval on July 28, 2021, then the required publication was advertised in the local paper, followed by the second reading with final approval Aug 17, 2021.

I do not feel that I had time to begin the budget amendment process in June 2021 since the process requires a first reading, DLG approval, publication in newspaper and second reading. And it was the last month of the Fiscal Year, and the process would have to be done again in July to bring the funds into the new FY budget.

During this time, the guidance seemed to change daily from US Treasury, DLG, KACO, NACO and the interpretation of other County officials. I felt that I used my best judgement on what I knew based on my knowledge of my financial reporting responsibilities. Logically thinking it was not feasible nor necessary to do a budget amendment which would have required several special called emergency fiscal court meetings of which it was not an emergency and due to the time frame, it would not have been possible to comply with the approval and publication requirements for budget amendments.

I request that this finding be removed from our final audit publication.

Auditor's Reply: The *County Budget Preparation and State Local Finance Officer Policy Manual* and a memo from DLG, both state upon receipt of these funds, the current fiscal year budget shall be amended.

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

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