



Auditor of Public Accounts
Mike Harmon

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Harmon Releases Audit of Powell County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Powell 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 Powell 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 has not repaid interfund payables: This is a repeat finding and was included in the prior year audit report as Finding 2021-001. In the past, the fiscal court transferred restricted road funds to the jail fund. This created an interfund payable of \$253,028. These prior period transfers of restricted funds had left the jail fund with a deficit balance until this fiscal year. As of June 30, 2022, the jail fund balance was \$81,186.

Cash Balance	\$ 334,214
Interfund Payables	<u>(253,028)</u>
Fund Balance	<u>\$ 81,186</u>

The jail fund balance is not currently in a deficit, and the fiscal court has not repaid any of the interfund payable.

<u>Due From</u>	<u>Due To</u>	<u>6/30/2021 Balance</u>	<u>Increase/ (Decrease)</u>	<u>6/30/2022 Balance</u>
Jail Fund	Road Fund	<u>\$ 253,028</u>	<u>\$</u>	<u>\$ 253,028</u>

The road fund is restricted for transportation, with the exception of the amount calculated on the road fund cost allocation worksheet. Non-allowable disbursements made by the jail fund are due back to the road fund.

Under the regulatory basis of accounting, fund balances are not adjusted on the financial statement for unpaid liabilities; however, the liability is still owed.

We recommend that the fund liability be repaid as money becomes available.

County Judge/Executive's Response: This comment has been in all past audits. If the Jail Fund ever receives enough funds to pay back the road fund then it will be paid back.

Short-term borrowings were not in compliance with KRS 65.7707: The fiscal court was not in compliance with KRS 65.7707 in regard to short-term borrowings. On September 24, 2021, the fiscal court entered into a short-term note with a local bank for \$1,001,000 for road projects. The county paid back \$491,349, leaving unpaid principal of \$509,651 as of June 30, 2022. The county was unable to pay the debt back as of June 30, 2022 due to a lack of funds.

KRS 65.7707 states, “[n]otes payable shall mature on a date determined by the governing body which shall be no later than the last day of the fiscal year in which the notes are issued.”

By not paying back the short-term debt borrowings by June 30, 2022, the county is in violation of KRS 65.7707.

We recommend the fiscal court comply with the statute by satisfying short-term debt obligations by the end of the fiscal year.

County Judge/Executive's Response: I as County Treasurer will do my best to correct this finding. When Fiscal Court agreed to borrow this money the plans were to pay it back within that fiscal year, however the funds were not there. We could not predict the weather, therefore we had a lot of emergency road work which caused that account to be short. I will be paying the balance off within this next fiscal year.

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

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