



Auditor of Public Accounts  
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### **Harmon Releases Audit of Gallatin County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Gallatin County Fiscal Court for the fiscal year ended June 30, 2020. 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 Gallatin 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 comments:

**The Gallatin County Fiscal Court did not record a state grant related to airport board debt:** The Gallatin County Fiscal Court was awarded a state grant for the debt service payments for the Gallatin County Airport. The county did not record this state grant on their ledgers. The fiscal court was under the impression that since the payments were made directly that they didn’t have to record the transactions associated with the debt owed by the airport board. The bond related to the airport board was considered conduit debt. As a result of not recording the transactions related to the grant, the receipts and disbursements ledgers were understated by \$609,069.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual*

requires all funds to be recorded in receipts and appropriation ledgers. It may be necessary to amend the budget to reflect the receipt and expenditure of funds received if the item was not part of the original budget.

We recommend the fiscal court record transactions related to the state grant regardless if the fiscal court receives the money directly.

*County Judge/Executive's Response: Airport grant numbers will be stated. Airport Grant is federal and state monies that pass through County Budget.*

**The Gallatin County Fiscal Court did not record the purchase of ambulance and equipment:** The Gallatin County Fiscal Court did not amend their budget for lease proceeds for use on an ambulance and equipment. Proceeds in the amount of \$123,000 were paid directly to vendor and were not included on the county's financial statements. The audited financial statement and the ambulance fund budgetary comparison schedule were adjusted to record the financing and purchase. According to the county, this was due to a lack of understanding on how to record the amount on the receipts and disbursements ledgers. By not recording these items, after adjustments, the fiscal court exceeded the budgeted appropriations for the "protection to persons and property" line item by \$114,138.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states in part, "all borrowed money received and repaid must be reflected in the county budget."

We recommend the fiscal court budget and record all debt proceeds and their related purchase.

*County Judge/Executive's Response: This is has been added has a liability.*

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

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