



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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### **Harmon Releases Audit of Bourbon County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2017. 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 Bourbon 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 Bourbon County Fiscal Court did not record all activity related to the jail construction fund:** For Fiscal Year 2017, the county added the jail construction fund to record activity related to the jail expansion. The county budgeted \$9,337,758 for receipt of bond proceeds and disbursements, but there was additional activity that was not recorded. This resulted in a material adjustment to the financial statement of \$3,501,458 to receipts and (\$855,678) to disbursements. KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.” This issue was caused by the county not properly budgeting

the jail construction fund. Not having a proper budget can cause the county to overspend the budget. We recommend the Bourbon County Fiscal Court ensure that all activity in the jail construction fund be properly budgeted.

*County Judge/Executive's Response: Review of bond bank statements will be booked in our financial statements moving forward.*

**The Bourbon County Fiscal Court overspent its budget in the administration expense category in the jail construction fund:** During our audit, we noted that after making audit adjustments to include all activity that occurred in the jail construction fund, the administration expense line item overspent its budget. The county budgeted zero but spent \$164,473. This was due to the county not budgeting for the administration expense category. Not having a properly balanced budget can cause the county to overspend the 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. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.” We recommend the Bourbon County Fiscal Court monitor and prepare a budget amendment in any future instance of possible budget overage.

*County Judge/Executive's Response: We will monitor appropriations closely and make budget amendments when necessary.*

**The Bourbon County Fiscal Court is not following its personnel vacation policy:** County employees can accumulate personal leave throughout the year. The county currently has a policy stating that for vacation time, only a maximum of 10 days will be allowed to be accumulated. During our review, we noted that four out of five employees reviewed had accrued vacation time exceeding the county’s policy of 10 days. The Bourbon County Fiscal Court is not following their policy. The Bourbon County Fiscal Court is not in compliance with their personnel policy. By not following the policy, the county could be liable to pay each employee’s accumulated vacation time. The Bourbon County Fiscal Court has a personnel policy stating that for vacation time, only a maximum of 10 days will be allow to be accumulated. We recommend the Bourbon County Fiscal Court follow its personnel vacation policy. In addition, the Bourbon County Fiscal Court should consider updating their policy.

*County Judge/Executive's Response: The Bourbon County Fiscal Court is in the process of updating the current Policy & Procedure Manual. The manual will be ready to put into place by beginning of new fiscal year July 1, 2018 and we will adhere to this new policy.*

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

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