



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Nicholas County Fiscal Court for the fiscal year ended June 30, 2019. 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 Nicholas 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 fiscal court did not record the purchase of equipment:** This is a repeat finding and was included in the prior year audit report as Finding 2018-001. The fiscal court amended their budget for financing obligation proceeds for the purchase of a zero turn mower for parks and recreation use. Proceeds in the amount of \$5,500 were paid directly to vendors and were not included on the county’s financial statements. The audited financial statement and the general fund’s 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 general fund budgeted appropriations for the “recreation and culture” line item by \$2,000.

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.”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government’s (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. This manual states in part, “[a]ll 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. We recommend the fiscal court and the county treasurer monitor the budget more closely and amend the county’s budget or transfer necessary appropriations in order to prevent the county from exceeding the budget.

*County Judge/Executive’s Response: Will record future equipment purchases correctly.*

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

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