



**Auditor of
Public Accounts
Allison Ball**

Carter County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Carter County Fiscal Court for the fiscal year ended June 30, 2024. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Carter 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.

Finding: The fourth quarter financial report was materially misstated.

In order for the financial statement to accurately reflect receipts, the following adjustments and reclassifications were necessary as follows:

- General Fund – (1) Reclassify settlement payment to Opioid Fund in the amount of \$229,943, (2) Reclassify state grant payments that were posted to the Enhanced 911 Fund in the amount of \$68,012, (3) Correct a transfer that should have been a reclassification in the amount of \$66,800, (4) Reclassify refund of a prior year loan overpayment from borrowed money to prior year carryover in the amount of \$13,246.
- Road Fund – Post financing obligation proceeds for refinance of loan in the amount of \$1,500,000.
- Jail Fund – (1) Reclassify state grant payment posted to the Enhanced 911 Fund in the amount of \$47,593, (2) Correct transfer that should have been a reclassification in the amount of \$44,018.
- CDBG Fund – Reclassify and correct a state grant posted to the Enhanced 911 Fund, this was posted to the wrong fund and then moved incorrectly, the amount of \$101,443.
- Enhanced 911 Fund – Correct transfers that should have been reclassifications in the amount of \$259,854. Likewise, adjustments and reclassifications were necessary for disbursements to be recorded and classified correctly on the financial statement as follows:
- Road Fund – (1) Reclassify debt payments that were posted to the General Fund in the amount of \$81,393, (2) Reclassify lease payments posted to debt services in the amount of \$33,378, (3) Post financing obligation for refinance of loan in the amount of \$1,500,000.
- Jail Fund – Reclassify lease payments posted to debt services in the amount of \$3,706.
- Enhanced 911 Fund – Reclassify lease payments posted to debt services in the amount of \$3,100.

Recommendations

We recommend the county treasurer thoroughly examine each account line item on the quarterly report to ensure items were posted properly. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these adjustments as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

Recommendations

County Judge/Executive's Response: Corrections have been made. Was not aware I needed to post the \$1,500,000 because it was a refinance. In the future I will post all loans.

Finding: Did not properly budget for and record all debt related receipts and disbursements.

The fiscal court executed a loan to refinance a FEMA road project loan. The receipt of loan proceeds and the payoff of the prior loan were not reflected in the fiscal court's bank activity, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity. All loan proceeds and asset purchases should be included on quarterly financial reports. This transaction did not run through the fiscal court's bank account, and was not included in the budget process, or reflected on the fiscal court's fourth quarter financial report. As a result, the fiscal court failed to properly record \$1,500,000 in debt related receipts and disbursements for the fiscal year, the budget was overspent due to this issue.

Recommendations

We recommend the fiscal court comply with regulatory reporting requirements by recording all borrowed money, including those transactions handled by a third-party lender, in order to accurately report financing obligations proceeds received and assets purchased. We further recommend the fiscal court review and increase the fund budgets when needed.

County Officials Response

County Judge/Executive's Response: I was not aware I needed to post the \$1,500,000 because it was a refinance. In the future I will post all loans.

Finding: Did not properly budget for and record all debt related receipts and disbursements.

The jail commissary purchased electronic cigarettes (e-cigarettes) totaling \$65,392 from a vendor without properly obtaining bids. These purchases consisted of 5 invoices less than \$20,000 each. According to the jailer, he believed that bidding was no longer required for electronic cigarettes because of a KRS change in where they could be purchased. By not properly obtaining bids on the e-cigarettes, it cannot be determined if the jailer has procured these items at the best available price.

Recommendations

We recommend that the jailer properly obtain bids for electronic cigarettes, and any other purchases that meet the requirements of the Carter County Administrative Code.

County Officials Response

Jailer's Response: It is and was our belief that under previous changes in the law with e-cigs, that the bid process was moot. Currently there is only one distributor that sells to jails in Ky. Upon last check, our commissary company also procures through that vendor and we get the same e-cigs for 50 cents less per cig. So as always, we are getting the best price for the county.

Finding: Did not establish and maintain adequate internal controls over compliance with CDBG requirements.

The Carter County Fiscal Court did not maintain all invoices and signed drawdown requests. However, this documentation was obtained later by the fiscal court from grant administrators and other sources. Invoices are required supporting documentation and should be reviewed before authorizing the drawdown and spending of federal awards. Drawdown requests are required to be maintained to document the receipt of federal funds have been authorized.

Recommendations

We recommend the Carter County Fiscal Court should review all grant agreements to determine the supporting documentation to be maintained, and review supporting documentation before authorizing the drawdown and spending of federal funds to ensure compliance with the grant program or contract requirements.

County Officials Response

County Judge/Executive's Response: I have been working with CDBG grants for 25 years and have never had a problem with having invoices or anything else. [Grant administrator name redacted] was administering the grant and failed to give me all the needed documents. In the future I will make sure to get the documents.

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

