Auditor of
Public Accounts
Allison Ball

# Crittenden County Fiscal Court

## Audit

**FRANKFORT, Ky**. – State Auditor Allison Ball has released the audit of the financial statements of the Crittenden County Fiscal Court for the fiscal year ended June 30, 2025. 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 Crittenden 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 Crittenden County Fiscal Court Failed To Implement Effective Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2024-003. During fiscal year 2025, the Crittenden County Fiscal Court failed to implement effective internal controls over disbursements. The following findings were noted with fiscal court's disbursements:

• Forty-four disbursements were tested, and fourteen of these disbursements, totaling $1,116,533, had purchase orders that were issued after the expense had already been incurred.

• One purchase in the amount of $45,000 was not properly procured because the county did not advertise for bids as required by KRS 424.260.

### Recommendations

We recommend the Crittenden County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made and ensure that purchase orders meet the requirements set forth by DLG guidelines. Additionally, we recommend that the fiscal court comply with bidding requirements outlined by KRS 424.260.

### County Officials Response

*County Judge/Executive's Response: The majority of purchase orders for the county are issued manually at the time of need. Then the handwritten P.O.'s are entered into our software program at a later date. The software will automatically default to the date of entry not the date of issuance, therefore requiring the dates to be confirmed as appropriate. Training on this issue has been achieved and there is currently a change in procedures between the department who traditionally issued handwritten P.O.'s and the Fiscal Court office who will now take over issuing all P.O.'s therein eliminating the possibility of most of the manually issued P.O.'s resulting in an electronically generated P.O. which will post the date of issuance. With respect to the purchase made but not properly advertising for bids, the county was told the unit was bought on state master contract. It was later found not to be the case. Therefore, the parties involved with the purchase have been properly trained to ensure all documentation is achieved prior to purchasing any item above the requirement for bid.*

### Finding: The Crittenden County Fiscal Court's Financial Statement For The Public Properties Corporation Was Materially Misstated

The fiscal court maintains an unbudgeted Public Properties Corporation Fund to account for bond issuance and debt payments related to the construction of the justice center. During fiscal year 2025, the fiscal court maintained ledgers related to the Public Properties Corporation Fund and produced an annual financial statement. The financial statement's totals were accurate; however, there were various posting errors that required reclassifications. This resulted in the Public Properties Corporation financial

statement being materially misstated. The following errors were noticed on the financial statement:
• $1,348,595 of Intergovernmental Revenue was posted as Miscellaneous Revenue
• $363,800 of Bond Proceeds were posted as Miscellaneous Revenue
• $956,790 of Net Bond Premiums were posted as Bond Proceeds
• $137,234 of Cost of Issuance Expenditures were posted as Capital Project Expenditures

## Recommendations

We recommend that the fiscal court establish procedures to ensure receipts and disbursements ledgers and the financial statement for the Public Properties Corporation are accurate.

## County Officials Response

*County Judge/Executive's Response: As verified, Crittenden County currently has a Public Properties Corporation (PPC) which is responsible for reporting bond issuances and debt payments related to the construction of the Crittenden County Justice Center. As also indicated these records were being recorded as deemed proper by our County Treasurer. However, due to an inadequate level of training by the Administrative Office of the Courts (AOC) regarding the reporting requirements to be maintained and met by a county involved in a judicial center construction project, some of the entries for the PPC by the County Treasurer were not classified appropriately therein reflecting improper classification. The best solution for this issue is for AOC to properly train counties prior to the establishment of the funds which would ensure the classifications are properly assigned from the beginning of the project. It is also a concern that a simple misclassification could be considered a material misstatement of the fund when all fund transactions were complete and reflected an accurate accounting of all transactions, they were simply not assigned to an appropriate classification per state guidance which was the information we did not have at the time of establishment. These have all now been corrected and will not be an issue moving forward.*

Auditor's Reply: Financial statement accuracy includes the correct recording of transaction classification as well as transaction amounts. Proper classification is an assertion that transactions have been posted to the correct financial category, which in turn provides clarity on the financial statement. Material transactions when incorrectly classified on the financial are misstatements that can materially affect the decisions made by an end-user.

The audit report can be found on the auditor's website.

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