Auditor of
Public Accounts
Allison Ball

Franklin County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Franklin 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 Franklin 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 Franklin County Fiscal Court Did Not Comply With Year-End Reporting And Approval Requirements

Franklin County Fiscal Court did not report encumbrances on its fourth quarter financial statement submitted to the Department for Local Government (DLG), despite having outstanding purchase orders totaling approximately $1,360,790 at June 30, 2025.

Recommendations

We recommend the fiscal court strengthen internal controls and procedures to ensure all outstanding purchase orders at year-end are properly reported as encumbrances on the fourth quarter financial statement in accordance with DLG requirements.

County Officials Response

County Judge/Executive's Response: Franklin County agrees with Finding #2025-001. Outstanding purchase orders will be listed as encumbrances on the next quarterly report. The majority of the encumbrances was for a capital project that was not completed and expensed in FY26. This omission does not reflect an absence of supporting documentation or purchase order records. Finding #2025-001 is a compliance issue only. All money is accounted for properly.

Finding: The Franklin County Fiscal Court's Schedule Of Leases Was Materially Misstated

The Franklin County Fiscal Court omitted the judicial center leases from its GASB 87 worksheet. As the lessor in this agreement with the Administrative Office of the Courts (AOC), the fiscal court failed to include GASB 87-compliant lease receivables totaling $12,679,350 as of June 30, 2025.

Recommendations

We recommend the fiscal court ensure all GASB 87-compliant leases are disclosed on the GASB 87 worksheet.

County Officials Response

County Judge/Executive's Response: Franklin County respectfully disagrees with Finding #2025-002. The County relied on guidance provided by the Kentucky Department for Local Government regarding the reporting requirements for the Judicial Center agreement. Specifically, DLG provided written confirmation to a County Treasurer, which was subsequently shared with all County Treasurers, stating that the Judicial Center bonds do not meet the disclosure requirements for GASB 87. Based on this guidance, the County *concluded that the Judicial Center agreement was not required to be reported as a lease under GASB 87.*

Auditor's Reply: Although the Franklin County Fiscal Court was provided with guidance originating from the regulatory agency, such information did not accurately reflect GASB 87 requirements and caused their note disclosure as a GASB 87 lessor to be materially understated. The lease agreements between the Franklin County Fiscal Court and AOC meet the definition of a lease under GASB 87 reporting requirements and are required to be included on the county's lease schedule. The material omission of this information causes the true financial standing of Franklin County Fiscal Court to be misrepresented.

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

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