



**Auditor of
Public Accounts
Allison Ball**

Morgan County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Morgan 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 Morgan 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: Did not accurately report debt on the quarterly financial statement.

On the liabilities section of the June 30, 2024 quarterly financial statement submitted to the Department for Local Government, the Morgan County Fiscal Court reported outstanding debt principal in the amount of \$14,720,114 and outstanding interest in the amount of \$1,933,784. However, during testing the confirmed outstanding principal balance was \$14,756,543, and the outstanding interest balance was \$2,023,029 therefore resulting in total variances of \$36,429 and \$89,245, respectively. The county failed to implement sufficient monitoring over the reporting of liabilities to ensure accuracy of the report submitted to the Department for Local Government. Due to this error, long term debt was understated, which could impact the fiscal court's ability to make sound financial decisions.

Recommendations

We recommend the Morgan County Fiscal Court strengthen internal controls over the reporting of debt service payments and outstanding balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented.

County Officials Response

Views of Responsible Official and Planned Corrective Action:

The Financial Report for the Fourth Quarter has been revised and submitted to the Department for Local Government. The under-reporting of the principal debt was due to the purchase of a vehicle for the Sheriff's Department, and the Sheriff's Department reimburses the Morgan County Fiscal Court for the entire amount expended. This is a pass-through and is not part of the County's central debt obligations. As such, the County had not included this liability in its financial statements.

The interest portion of the under-reporting was due to the appropriate amortization schedule not being available to our office. This schedule has now been obtained; and the correction has been made and reported to the Department for Local Government.

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



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