



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Woodford County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Woodford County Fiscal Court for the fiscal year ended June 30, 2018. 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 Woodford 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 comments:

The Woodford County Fiscal Court’s fund balances at year end were misstated: Fund balances on the Woodford County Fiscal Court’s fourth quarter report, which also serves as the county’s year-end financial statements, were misstated. At June 30, 2018:

- General fund was understated by \$238,705;
- Road fund was overstated by \$364,325;
- Jail fund was understated by \$104,672; and
- State grant fund was understated by \$40,956.

The fiscal court maintains a consolidated bank account. Net adjustments of \$20,008 were required in order to post interest and loan fees, to include fiscal year 2018 transfers, and to remove Fiscal Year 2019 transfers.

Fund transfers during Fiscal Year 2018 were posted to Fiscal Year 2017 financial statements. Fund transfers made after June 30, 2018, were included on the county's Fiscal Year 2018 financial statements. The fiscal court was unaware of the interest and loan fees.

Failure to report transfers in the appropriate period results in inaccurate records and financial statements and incorrect decision making.

KRS 68.210 states that the administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials. The state local finance officer requires an accurate cumulative quarterly report be submitted by the 20th day following the close of each quarter.

We recommend the fiscal court report all transfers in the period they are made, post all interest and loan fees, and ensure fund balances are accurate on their financial statements.

County Judge Executive's Response: Year-end closing entries will be made and approved prior to fiscal year end.

The Woodford County Fiscal Court did not maintain adequate records for the Public Properties Corporation Fund: The fiscal court has a Public Properties Corporation Fund (PPC) to manage the debt associated with the park expansion, Falling Springs Community Center, and the courthouse annex. The fiscal court is financially accountable and legally responsible for this debt. The fiscal court did not maintain receipts and disbursements ledgers for the PPC, did not perform bank reconciliations, and did not prepare a financial statement for the year ended June 30, 2018.

Policies and procedures were not in place to ensure accurate reporting of the county's public properties corporation fund.

Because the county did not prepare a financial statement, an adjustment of \$40,385 to intergovernmental receipts and an adjustment of \$41,632 to debt service expenditures were required.

Good internal controls dictate the fiscal court review and account for all receipts and disbursements related to all funds, including maintaining ledgers, reviewing bank reconciliations, and preparing related financial statements.

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements, complete bank reconciliations monthly on all public properties corporation bank accounts, and compile a year-end financial statement for the fund.

County Judge Executive's Response: A request will be made to have the bank statements for the PPC sent to Woodford County Fiscal Court.

The Woodford County Detention Center did not batch or deposit receipts daily: The Woodford County Detention Center did not batch or deposit receipts on a daily basis. Of our sample of collections from April 1-14, 2018, there were a total of six deposits which included receipts from March 1, 2018 through April 13, 2018.

The jailer stated that the employee in charge of preparing deposits was not batching receipts daily or preparing deposits. Failure to batch receipts daily increases the risk of inaccurate and incomplete financial reporting due to errors and fraud.

Based on the minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210, the jail should maintain daily checkout sheets and a jail commissary receipts journal. Daily deposits and daily checkout sheets are required. At the end of each business day, receipts should be separated into categories listed on the checkout. The total of each category should be entered in the appropriate space provided. The daily checkout total should equal the amount of money on hand at the end of each day, less startup cash. When total collections match the total cash on hand, receipts should be posted to the jail commissary account receipts journal on a daily basis. The total amount category should agree with the deposited amount on the daily checkout sheet.

We recommend the jailer comply with KRS 68.210 by ensuring receipts are batched and deposited daily.

County Judge Executive's Response: Detention Center will respond separately.

Jailer's Response: The employee responsible for the daily receipts was reassigned July 2018 and no longer has any involvement with commissary or inmate accounts. Additional employee supervision was implemented and to date the deposits are being prepared daily.

The Woodford County Fiscal Court misstated debt on the liabilities section of the quarterly report: The debt schedules presented with the Woodford County Fiscal Court's fourth quarter report, which also serves as the county's year-end financial statements, misstated debt obligations. In aggregate, ending principal balances at June 30, 2018, were overstated by \$370,388 and ending interest balances at June 30, 2018, were overstated by \$68,079, as follows:

- Financing Obligation - Clock Tower and Courthouse ending principal balance was overstated by \$11,905 and the ending interest balance was overstated by \$4,667;
- Financing Obligation - Ambulance Cardiac Monitoring ending principal balance was overstated by \$2,183 and the ending interest balance was overstated by \$454;
- General Obligation Refunding Bonds - Series 2007 ending principal balance was overstated by \$352,500 and the ending interest balance was overstated by \$12,912;
- General Obligation Refunding Bonds - Series 2012 ending principal balance was overstated by \$3,800 and the ending interest balance was overstated by \$10,567;

- Financing Obligation - Ambulance #10 ending interest balance was overstated by \$45; and
- The First Mortgage Revenue Refunding Bonds - Series 2017 ending interest balance was overstated by \$39,434.

Controls were not in place to ensure the debt reported on the liabilities section of the quarterly report was accurate. By misstating the fiscal court's debt obligations, the state local finance officer did not see the accurate financial position of the fiscal court.

An accurate debt schedule is necessary for Department of Local Government (DLG) reporting requirements. Strong internal controls over outstanding debt and liabilities ensure accurate financial reporting.

We recommend the fiscal court ensure accuracy when reporting the county's debt liabilities on the fourth quarter report submitted to DLG.

County Judge Executive's Response: Debt service payments were made according to the debt service payment schedule for fiscal year 2018. Liabilities will be reported according to amortization schedule for June 30, 2019.

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

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