



Auditor of Public Accounts  
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**Auditor Edelen releases Southeast Bullitt Fire District exam, finds weaknesses  
in financial controls**

*Fire Department also in violation of special district reform law Auditor Edelen  
spearheaded in 2013*

**FRANKFORT, Ky. (January 15, 2015)** – Auditor Adam Edelen today released a special examination of the Southeast Bullitt Fire Protection District, finding lax controls and a lack of analysis of its finances while levying property taxes at the highest allowable rate.

The Auditor’s office began an examination last fall after receiving allegations concerning certain financial activity at the District. The District and the Southeast Bullitt Volunteer Fire and Rescue Department, Inc. have come under public scrutiny in recent months for a number of issues. The District has contracted with the Department to provide fire protection services in Bullitt County, just south of Louisville.

Other agencies are said to be investigating concerns at the Department and there appears to be confusion about the nature of the contractual relationship and roles of management between the two entities. Auditors found that unclear state statutes may partially be to blame.

“Antagonistic personalities, consistently high property tax rates, a lack of transparency, confusion in state law and seeming conflicts of interest have led to valid concerns among taxpayers in Bullitt County,” Auditor Edelen said. “Although auditors did not find potential criminal activity based on the allegations we received and investigated, we share those concerns and call on officials there to straighten this mess out.”

The District board has the authority to levy an annual property tax, not to exceed “ten cents (\$0.10) per one hundred (\$100) of valuation as assessed for county taxes.” Auditors found the District has levied taxes at the maximum allowed by statute since at least 2008 without conducting any analyses of the actual costs of future needs associated with providing fire protection services to District residents.

As a result, the Department held over \$2.7 million in funds as of Oct. 31, 2014, which appears to have led to concerns about financial management.

Three of the six District board members interviewed said they believed the Department could operate with less tax revenue if rates were lowered, while another stated “honestly I don’t know.”

Another source of concern among the public is an apparent conflict of interest, with the Department Chief also serving as District board chair since approximately 2000. Given the authority of the District board to establish the tax rate each year and the contract between the Department and District, in which the Department receives the net proceeds of taxes collected, concerns exist that the District board has been lax in its responsibility to taxpayers as it may be placing interests of the Department above those of the taxpayers.

Despite the appearance, statutory language does not restrict eligibility to prohibit the fire chief, who serves as head of the Department, or other Department board members, from being eligible for election to the District board or from serving as its chairman.

Auditors recommend state legislators study provisions of KRS Chapter 75 and consider making a clear distinction between management of each organization.

The scope of the examination was to address concerns presented to the office regarding the District and not to examine financial transactions or other records of the Department. A number of matters related to the Department, however, were brought to the auditors’ attention during the examination.

Of significant concern is that the Department has not registered as a Special Purpose Governmental Entity (SPGE) with the Department for Local Government (DLG), as required by state law. Auditor Edelen in 2013 shepherded a bipartisan bill through the legislature to bring greater accountability and transparency to special districts, including fire departments.

The Department has received more than \$4.4 million in public funds since 2010 and as such, is required to annually file certain financial reports with DLG.

“This is case-in-point why I fought to reform special districts,” Auditor Edelen said. “If the Department wants to argue it’s a private entity exempt from the tenets of House Bill 1, they need to go ahead and return the public money they’ve received from taxpayers,” Auditor Edelen said. “Otherwise, they need to get square with the requirements in short order.”

Auditors also found the Department awarded \$5,200 in annual Christmas bonuses to employees and select volunteers in violation of state law and awarded the Chief’s spouse \$63,000 in payment for bookkeeping and secretarial services without requiring documentation of the hours worked.

The full report can be found on the [Auditor’s website](#).

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