



Auditor of Public Accounts  
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**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Boyd County Fiscal Court**

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Boyd County Fiscal Court for the fiscal year ended June 30, 2022. 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 Boyd 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.

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 findings:

**The fiscal court's fourth quarter financial report was materially misstated:** This is a repeat finding and was included in the prior year audit report as Finding 2021-001. The fiscal court's fourth quarter financial report, which serves as the county's year-end financial statement, was materially misstated. Adjustments and reclassifications were necessary to record and classify transactions properly. In order for the county's financial statement to accurately reflect receipts, adjustments and reclassifications net totaling \$19,254,041 were necessary. Likewise, adjustments and reclassifications net totaling \$11,364,400 were necessary for disbursements to be recorded and classified correctly on the financial statement.

According to the treasurer, she was not aware the way she recorded certain transactions was incorrect. The county did not have adequate internal control, oversight, and review procedures in place to ensure financial activity was accurately recorded and reported in accordance with the uniform system of accounts as required.

As a result, numerous errors and misstatements occurred and were undetected resulting in the financial statement being materially misstated. Inaccurate financial reporting is problematic because the commissioners and county judge/executive rely on financial data presented to them to be complete and accurate in order to make prudent financial decisions on behalf of the county and taxpayers. Furthermore, external organizations may use and rely on financial information reported by the county so accurate financial reporting should be a priority.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government (DLG) by the 20th day following the close of each quarter. The uniform system of accounts has specific requirements on how to record various types of transactions for different funds and fund types. The most basic requirement of the uniform system of accounts is that all transactions are recorded and classified correctly.

We recommend the county treasurer thoroughly examine each account line item on the quarterly report to ensure items were posted properly. Each adjustment made by auditors has been presented to and reviewed with the county treasurer. We recommend the county treasurer use these adjustments as guidance when preparing future financial statements. In addition, we recommend the fiscal court establish adequate internal controls, oversight, and review procedures to ensure that all financial data is completely and accurately recorded and reported.

*County Judge/Executive's Response: 4<sup>th</sup> quarter report has been reviewed and treasurer will review and correct report in future.*

**The fiscal court did not properly budget for and record all debt related disbursements:** The Sanitation District #4 (SD4) paid \$5,298,555 for the principal and interest payment on debt in the name of the county. These transactions were not reflected in the fiscal court's bank activity, budget process, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity (SD4). However, all debt (including money borrowed on behalf of another entity) should be included on the quarterly financial reports. In addition, the county has a line of credit for Federal Emergency Management Agency (FEMA) expenditures that the draws and repayments of \$5,580,131 were not budgeted. The fiscal court did not have controls in place to ensure all debt was reflected on its financial information. As a result, the fiscal court failed to properly budget and record \$10,878,686 in debt related receipts and disbursements for the fiscal year.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all borrowed money that is not part of the original budget be amended into the budget and be properly reflected on the financial report. Further, KRS 68.280 states, "[t]he fiscal court may make provision for the expenditure of receipts

unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby.”

We recommend the fiscal court comply with regulatory reporting requirements by budgeting and recording all borrowed money, including those transactions handled by a third-party lender.

*County Judge/Executive’s Response: We have now corrected this finding for current and future.*

**Budget amounts were misstated on quarterly report:** The treasurer input budget amounts incorrectly. Due to not having adequate control procedures in place, such as a lack of an independent review or monitoring, the county treasurer made a mistake that went undetected. As a result, the total budgeted receipts on the quarterly report were understated by \$4,200,000 and the disbursements were overstated by \$1,383,441. Adjustments were required by auditor to post the approved budget amounts to the funds. The Department for Local Government (DLG), under the authority of KRS 68.210, gives the state local finance officer the authority to prescribe minimum requirements for handling public funds. According to the *County Budget Preparation and State Local Finance Officer Policy Manual*, the uniform system of accounts requires the original budget and amendments to agree to the quarterly reports.

We recommend the approved budget amounts and amendments be accurately included on the quarterly reports so that the fiscal court and regulatory agencies such as DLG can accurately monitor the county’s budget.

*County Judge/Executive’s Response: The budget amounts were off due to treasurer adding in the clerk’s storage account and the senior center fund. The amounts were also off due to the computer not picking up a budgeted amount. The treasurer will make sure all accounts and funds are recorded and reports are accurate.*

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

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