



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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

**FRANKFORT, Ky.** – State Auditor Mike Harmon has released the audit of the financial statement of the Boyle County Fiscal Court for the fiscal year ended June 30, 2017. 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 Boyle 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 comment:

**The fiscal court did not have adequate controls in place over capital assets:** The current year beginning balance for the capital asset schedule was misstated due to prior year errors. Capital asset purchases totaling \$7,223 and asset deletions of \$74,600 from Fiscal Year 2015 were not properly reflected on the county's capital asset listing. In addition, \$2,895,227 of Fiscal Year 2016 additions were not accounted for on the schedule. Also, the 2016 beginning balance was understated by \$6,000, and the 2016 additions were overstated by \$28,041. This resulted in a total adjustment to the 2017 beginning balance of \$2,805,809. Auditors were informed of these misstatements by the county treasurer upon arrival.

The county also failed to properly add asset purchases and remove disposed assets from the county's insurance policy. Of 20 additions and deletions tested, seven additions were not properly included in the insurance policy and two disposed assets were not removed.

The county's established controls did not work effectively to ensure all asset additions and deletions were included or removed from the county's capital asset listing and insurance policies. Division directors are responsible for providing information on vehicles, equipment, etc., to the county judge/executive's office to be included on the insurance policy. Per discussion with county personnel, the division directors did not always send the form the county utilizes to document assets additions and deletions for insurance purposes.

Per discussion with the county treasurer, the omissions for the prior fiscal years were due to an oversight.

The capital assets listing was materially misstated, resulting in a material adjustment to the capital asset schedule beginning balance. Furthermore, by not properly including or removing assets on the insurance policy, the risk of loss to the agency increases.

Capital asset records are necessary for proper asset valuation, adequate and accurate insurance coverage, internal control, and long range planning for property replacement. Strong controls reduce the risk of asset misappropriation.

We recommend the fiscal court reconcile all annual inventory reports to the additions, retired assets, and surplus list to ensure accurate accounting of capital assets. We also recommend the county review the county's addition and deletion reports to ensure these assets are properly added to or removed from the county's insurance policy.

*County Judge/Executive's Response: This was the result of a transfer of duties transition year where the bond issue energy efficiency upgrades were not recorded. The County Treasurer identified the error, put in place a procedure to safeguard against future errors and then reported it to the auditors upon their arrival to perform the audit of said fiscal year. It was important that the County's capital assets were stated correctly.*

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

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