



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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Edelen Releases Audit of Owen County Fiscal Court

FRANKFORT, Ky. – State Auditor Adam Edelen has released the audit of the financial statements of the Owen County Fiscal Court for the fiscal year ended June 30, 2014. State law requires annual audits of county fiscal courts.

Recent changes in auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and changes in cash and cash equivalents of the Owen County Fiscal Court in accordance with generally accepted accounting principles in the United States. The report found that the financial statement of the Fiscal Court 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 non-compliance with laws, regulations, contracts and grants. The auditor must also comment on material weaknesses involving the internal control over financial operations and reporting.

The audit contains the following comments:

The County should strengthen controls over capital assets. Controls were not in place to prevent or detect errors on the County's capital assets listing, causing it to be materially understated by \$39,162,839. The County's capital assets listing did not include land and infrastructure and reported inaccurate amounts for buildings, land improvements, and vehicles/equipment. The total adjustment includes the following:

Land	\$ 615,000
Buildings	94,245
Land Improvements	50,000
Vehicles & Equipment	2,607,527
Infrastructure	<u>35,796,067</u>
Total Adjustments	<u>\$ 39,162,839</u>

The County did not maintain a complete listing of additions and/or deletions. In addition, there were numerous items on the county's asset schedule below the capitalization threshold.

Capital assets are those items purchased or received that exceed the capitalization threshold, as determined by the fiscal court in the capitalization policy, and having a useful life greater than one year. Maintenance of records for fixed assets which fall into any of the following three categories is a requirement of the Uniform System of Accounts for Kentucky counties: real estate (land and buildings), motor vehicles (including road equipment), and any other fixed assets that meet or exceed the capitalization policy set by the fiscal court.

Per the Department for Local Government, each county office should maintain a current capital assets listing summarizing the following:

- Description of asset (include quantity where applicable)
- Historical cost of the asset (use FMV at date of donation for assets acquired via donation)
- Date of acquisition
- Date of capital improvement (capitalize costs which significantly improve the asset by extending life or greatly improving performance)
- Date of disposal
- Useful life of asset
- Salvage value, if any (or guaranteed residual value if applicable per lease agreement)
- Copies of all lease agreements (note: lease agreements must include terms in writing and signed by all responsible parties)
- Proceeds from sale or disposal of assets (maintain documentation for trade-in allowances, or assets deemed obsolete)

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 County prepare and maintain a complete and accurate master capital assets listing with all required information in order to ensure that assets are valued accurately and that gains and/or losses are calculated correctly. We further recommend they annually review asset addition and disposal records reconciling them to the Master Capital Asset Listing to verify accuracy.

Casey Ellis, Owen County Judge/Executive response: As of January 2015 with a new administration, a comprehensive capital asset recording system has been implemented. We are currently in progress of updating our list to meet the state standards.

The County should include public properties debt on the Fourth Quarter Report. The County should include Public Properties debt on the Fourth Quarter Report. Policies and

procedures were not in place to ensure accurate reporting of the county's debt. This resulted in the liability section of the quarterly report being incorrect and materially understated by \$10,605,000. The State Local Finance Officer requires that all liabilities be shown in Section III of the Fourth Quarter Report. We recommend they include all county debt on the quarterly report in the future.

Casey Ellis, Owen County Judge/Executive response: The Judicial Center project had just been completed and all debt reports have been updated.

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

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