

**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2020**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bullitt County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Bullitt County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Bullitt County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bullitt County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Bullitt County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Bullitt County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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Other Matters (Continued)

Supplementary and Other Information (Continued)

In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2021, on our consideration of the Bullitt County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bullitt County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discusses the following report findings:

- 2020-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked
- 2020-002 The Bullitt County Fiscal Court Did Not Have Adequate Controls Over The Fuel FOB System
- 2020-003 The Bullitt County Detention Center Did Not Have Segregation Of Duties Over The Jail Commissary Fund
- 2020-004 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Controls In Place To Properly Account For Kiosk Transactions
- 2020-005 The Bullitt County Jailer Failed To Properly Implement Controls Over The Inmate Trust Account
- 2020-006 The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required
- 2020-007 The Bullitt County Detention Center Did Not Have Adequate Controls Over Disbursements
- 2020-008 The Bullitt County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 26, 2021

BULLITT COUNTY OFFICIALS**For The Year Ended June 30, 2020****Fiscal Court Members:**

Jerry Summers	County Judge/Executive
Dennis Mitchell	Magistrate
Shaun Logsdon	Magistrate
Joe E. Laswell	Magistrate
Joe Rayhill	Magistrate

Other Elected Officials:

John Wooldridge (through April 30, 2021)	County Attorney
Robert P. Flaherty (beginning May 1, 2021)	County Attorney
Paul Watkins	Jailer
Kevin Mooney	County Clerk
Paulita Keith	Circuit Court Clerk
Walt Sholar	Sheriff
Layne Abell	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Stephanie K. Sharp	County Treasurer
Keith Griffie	Chief Financial Officer

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2020

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2020

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 10,693,160	\$	\$
Excess Fees	979,040		
Licenses and Permits	1,516,523		
Intergovernmental	647,632	2,023,742	1,849,915
Charges for Services	33,648		189,483
Miscellaneous	843,769	71,601	296,944
Interest	28		
Total Receipts	<u>14,713,800</u>	<u>2,095,343</u>	<u>2,336,342</u>
DISBURSEMENTS			
General Government	5,422,322		
Protection to Persons and Property	439,364		3,348,213
General Health and Sanitation	625,537		
Social Services	171,728		
Recreation and Culture	210,497		
Roads		1,829,360	
Debt Service	1,023,553		
Capital Projects	33,979		
Administration	2,883,902	610,851	929,423
Total Disbursements	<u>10,810,882</u>	<u>2,440,211</u>	<u>4,277,636</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,902,918</u>	<u>(344,868)</u>	<u>(1,941,294)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	9,400	344,868	1,940,682
Transfers To Other Funds	(4,929,066)		
Total Other Adjustments to Cash (Uses)	<u>(4,919,666)</u>	<u>344,868</u>	<u>1,940,682</u>
Net Change in Fund Balance	(1,016,748)		(612)
Fund Balance - Beginning (restated)	<u>2,062,634</u>		<u>612</u>
Fund Balance - Ending	<u>\$ 1,045,886</u>	<u>\$</u>	<u>\$</u>
Composition of Fund Balance			
Bank Balance	\$ 1,193,397	\$ 27,147	\$ 85,580
Less: Outstanding Checks	(147,511)	(27,147)	(85,580)
Fund Balance - Ending	<u>\$ 1,045,886</u>	<u>\$</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statement.

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grants Fund	EMS Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$	\$ 1,144,868
429,585		10,000		405,229
111,396		3,045,979	9,400	156,740
<u>540,981</u>		<u>3,080,977</u>	<u>9,400</u>	<u>1,706,837</u>
		4,132,946	1,789	3,142,576
451,476				522,631
		1,590,267		338,376
<u>451,476</u>		<u>5,723,213</u>	<u>1,789</u>	<u>4,003,583</u>
<u>89,505</u>		<u>(2,642,236)</u>	<u>7,611</u>	<u>(2,296,746)</u>
		2,641,788	1,728	1,051,533
			(9,400)	(1,051,533)
		<u>2,641,788</u>	<u>(7,672)</u>	
89,505		(448)	(61)	(2,296,746)
<u>860,216</u>	<u>168,594</u>	<u>448</u>	<u>706</u>	<u>3,308,412</u>
<u>\$ 949,721</u>	<u>\$ 168,594</u>	<u>\$</u>	<u>\$ 645</u>	<u>\$ 1,011,666</u>
\$ 958,646	\$ 168,594	\$ 37,043	\$ 645	\$ 1,102,927
(8,925)		(37,043)		(91,261)
<u>\$ 949,721</u>	<u>\$ 168,594</u>	<u>\$</u>	<u>\$ 645</u>	<u>\$ 1,011,666</u>

The accompanying notes are an integral part of the financial statement.

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public</u>		
	<u>Properties</u>	<u>Jail</u>	
	<u>Construction</u>	<u>Commissary</u>	<u>Total</u>
	<u>Corporation</u>	<u>Fund</u>	<u>Funds</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 11,838,028
Excess Fees			979,040
Licenses and Permits			1,516,523
Intergovernmental	1,302,505		6,668,608
Charges for Services			3,269,110
Miscellaneous		152,545	1,667,393
Interest			28
Total Receipts	<u>1,302,505</u>	<u>152,545</u>	<u>25,938,730</u>
DISBURSEMENTS			
General Government			5,422,322
Protection to Persons and Property			11,064,888
General Health and Sanitation			625,537
Social Services			171,728
Recreation and Culture		127,039	337,536
Roads			2,280,836
Debt Service	1,302,505		2,848,689
Capital Projects			33,979
Administration			6,352,819
Total Disbursements	<u>1,302,505</u>	<u>127,039</u>	<u>29,138,334</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>25,506</u>	<u>(3,199,604)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			5,989,999
Transfers To Other Funds			(5,989,999)
Total Other Adjustments to Cash (Uses)			<u>(0)</u>
Net Change in Fund Balance		25,506	(3,199,604)
Fund Balance - Beginning (restated)		<u>132,054</u>	<u>6,533,676</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ 157,560</u>	<u>\$ 3,334,072</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 158,803	\$ 3,732,782
Less: Outstanding Checks		<u>(1,243)</u>	<u>(398,710)</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ 157,560</u>	<u>\$ 3,334,072</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Bullitt County includes all budgeted and unbudgeted funds under the control of the Bullitt County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants and related disbursements of the county. The primary source of receipts for this fund is federal grant funds.

Emergency Medical Services (EMS) Fund - The primary purpose of this fund is to account for emergency medical services of the county. The primary sources of receipts for this fund is ambulance service fees.

Forest Fire Fund - The primary purpose of this fund is to account for funds paid to the state for forest fire protection. The primary source of receipts for this fund is state grants.

911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The state local finance officer does not require the public facilities construction corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Bullitt County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Bullitt County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the jail commissary did not have a written agreement with the bank.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. On June 30, 2020, the jail commissary's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$74,716

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Forest Fire Fund	911 Fund	Total Transfers In
General Fund	\$	\$ 9,400		\$ 9,400
Road Fund	344,868			344,868
Jail Fund	1,940,682			1,940,682
EMS Fund	1,590,255		1,051,533	2,641,788
Forest Fire Fund	1,728			1,728
911 Fund	1,051,533			1,051,533
Total Transfers Out	<u>\$ 4,929,066</u>	<u>\$ 9,400</u>	<u>\$ 1,051,533</u>	<u>\$ 5,989,999</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$160,335.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation - Judicial Center

On June 28, 2007, the fiscal court entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of funding cost overruns and change orders in the judicial center project and to consolidate the debt associated with the judicial center. The term of the agreement is 20 years with varying principal payments due twice a year. During the year ended June 30, 2020, \$1,302,505 was paid directly to KACoLT by the Administrative Office of the Courts (AOC) for the fiscal court's principal and interest payments under the agreement. The principal outstanding as of June 30, 2020, was \$7,527,587. The rate in the lease was fixed at 4.85 percent through the use of an interest rate swap between the trustee and a third-party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals. In the event of default, the bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the fiscal court of its rights, title, and interest in the lease with AOC. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 967,654	\$ 334,851
2022	1,015,533	286,972
2023	1,065,800	236,707
2024	1,118,500	184,004
2025	1,173,859	128,646
2026-2027	2,186,241	88,897
Totals	<u>\$ 7,527,587</u>	<u>\$ 1,260,077</u>

On June 28, 2007, the fiscal court entered into a lease agreement with AOC, which states that AOC agrees to pay 100 percent of the debt service requirements. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance, and repairs of the project.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Financing Obligation - Refinancing for Courthouse and Land

On May 21, 2015, the fiscal court entered into a financing obligation lease agreement with KACoLT in the amount of \$2,560,000, for the purpose of refinancing the finance lease obligation agreements for the construction of the courthouse entered into on July 16, 2002, for \$4,000,000 and the finance lease obligation agreement for the acquisition of land entered into on January 19, 2008, for \$705,000. The rate in the agreement was fixed at 3.5 percent with principal and interest payments due monthly on the 20th until the termination date of May 20, 2025. In the event of default, the lessor may terminate the lease and take immediate possession of the project. The principal balance at June 30, 2020, was \$1,346,368. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 259,307	\$ 43,598
2022	266,529	34,275
2023	273,952	24,694
2024	281,581	14,845
2025	264,999	4,722
Totals	<u>\$ 1,346,368</u>	<u>\$ 122,134</u>

3. Financing Obligation - Emergency Communication Project

On March 27, 2018, the fiscal court entered into a financing obligation lease agreement with Chase Bank in the amount of \$4,608,500, for the purpose of financing the acquisition of equipment related to the operation of a 911 emergency call system. The rate in the agreement is fixed at 2.38 percent with principal payments due annually on February 1 and interest payments due each February 1 and August 1 until the termination date of February 1, 2028. In the event of default, the lessor may by appropriate court action because a direct annual tax be levied in an amount sufficient to pay the lease rental payments, sell or re-lease the project, or take whatever action at law or in equity may appear necessary to enforce its rights in and to the project under the lease. The principal balance at June 30, 2020, was \$3,767,764. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 433,122	\$ 90,050
2022	443,430	79,698
2023	453,984	69,100
2024	464,789	58,250
2025	475,851	47,141
2026-2028	1,496,588	72,098
Totals	<u>\$ 3,767,764</u>	<u>\$ 416,337</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Financing Obligation - Energy Savings Project

On September 27, 2018, the fiscal court entered into a lease agreement with Chase Bank in the amount of \$2,885,000, in order to install and equip energy improvement projects in various facilities owned by the fiscal court. The rate in the agreement is fixed at 2.98 percent with principal payments due in fifteen annual payments, commencing on September 1, 2019, and continuing on September 1 of each successive year, and interest payments due each March 1 and September 1 until the lease is paid in full. In the event of default, the lessor may by appropriate court action because a direct annual tax be levied in an amount sufficient to pay the lease rental payments, sell or re-lease the project, or take whatever action at law or in equity may appear necessary to enforce its rights in and to the project under the lease. The principal balance at June 30, 2019, was \$2,730,168. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 159,516	78,982
2022	164,341	74,157
2023	169,312	69,185
2024	174,434	64,064
2025	179,711	58,787
2026-2030	983,465	209,023
2031-2034	899,389	54,602
Totals	<u>\$ 2,730,168</u>	<u>\$ 608,800</u>

B. Other Debt

1. General Obligation Refunding Bonds, Series 2013 - Detention Center

On May 30, 2013, the Bullitt County Fiscal Court issued \$6,170,000 of general obligation refunding bonds, series 2013, for the purpose of paying off Bullitt County #4 - Detention Center Debt. The bond requires semiannual interest payments due on February 1 and August 1. The bond will mature on February 1, 2028. In the event of default, the bonds are general obligations of the county and the full faith, credit, and taxing power of the county is irrevocably pledged to the payment of principal and interest on the bonds when due. The principal balance at June 30, 2020, was \$3,405,000. Future principal and interest requirements are:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

B. Other Debt (Continued)

1. General Obligation Refunding Bonds, Series 2013 - Detention Center (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 410,000	\$ 68,531
2022	420,000	60,331
2023	430,000	51,931
2024	435,000	43,331
2025	445,000	34,631
2026-2028	<u>1,265,000</u>	<u>49,694</u>
Totals	<u>\$ 3,405,000</u>	<u>\$ 308,449</u>

C. Interest Rate Swap

One of the fiscal court's leases (financing obligation) has been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third-party financial institution, whereby the third-party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the fiscal court pays the fixed rate stated by the swap. Under the terms of the lease agreements the trustee has the right to charge costs associated with the interest rate swap to the fiscal court through additional future rentals.

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they become due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swap in effect as of June 30, 2020, is as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2020	Settlement Amount at June 30, 2020
Judicial Center - Refinance	June 28, 2007	March 1, 2027	\$7,527,587	\$ (1,061,791)

The settlement values above are calculated using the forward Libor Curve, taking a percentage of that rate to estimate future SIFMA rates and are considered by the fiscal court to represent the fair value of the interest rate swaps at June 30, 2020. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

C. Interest Rate Swap (Continued)

The swaps expose the fiscal court to the following risks that could give rise to additional rental payments:

Credit risk: Credit risk is the risk that the third-party financial institution will not fulfill its obligations to pay the variable rate interest. All third-party financial institutions party to the interest rate swaps have S&P credit quality ratings of AA2/AA-. The value of the transaction to the fiscal court depends upon the third-party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third-party financial institutions fail to fulfill their obligations, the fiscal court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative financial institution not be available, the fiscal court would be required to make payments at the variable interest rate contained within the leases.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the SIFMA index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's scheduled end will affect the fiscal court's asset/liability strategy or will present the fiscal court with potentially significant unscheduled termination payments to the trustee. For example, the fiscal court relies on the interest rate swaps to insulate it from possibility of increasing interest rate payments; if the swap has an unscheduled termination, that benefit would not be available. The fiscal court would also be required to pay any costs associated with terminating the swap agreement.

Market access risk: Market access risk is the risk that the fiscal court will not be able to enter credit markets or that credit will become more costly. If the fiscal court is required to pay additional rentals or to pay higher variable rates, the fiscal court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The fiscal court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swap. Furthermore, if interest rates in the municipal bond market were to decrease and the fiscal court wanted to refinance the debt at a lower interest rate, the fiscal court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if the rates have decreased to the extent that the fiscal court would want to refinance the debt, the fiscal court would be the party that would have to make the termination payment. The use of the interest rate swap agreement may limit the fiscal court's flexibility in managing the lease obligations going forward.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Long-term Debt (Continued)

D. Aggregate Debt Schedules

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ending June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 410,000	\$ 68,531	\$ 1,819,599	\$ 547,481
2022	420,000	60,331	1,889,833	475,102
2023	430,000	51,931	1,963,048	399,686
2024	435,000	43,331	2,039,304	321,163
2025	445,000	34,631	2,094,420	239,296
2026-2030	1,265,000	49,694	4,666,294	370,018
2031-2034			899,389	54,602
Totals	<u>\$ 3,405,000</u>	<u>\$ 308,449</u>	<u>\$ 15,371,887</u>	<u>\$ 2,407,348</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 17,124,056	\$	\$1,752,169	\$15,371,887	\$ 1,819,599
General Obligation Bonds	3,810,000		405,000	3,405,000	410,000
Total Long-term Debt	<u>\$ 20,934,056</u>	<u>\$ 0</u>	<u>\$ 2,157,169</u>	<u>\$18,776,887</u>	<u>\$ 2,229,599</u>

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

The county's contribution for FY 2018 was \$1,586,395, FY 2019 was \$1,709,908, and FY 2020 was \$1,947,987.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 39.58 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

The Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Flexible Spending Account

The Bullitt County Fiscal Court established a flexible spending to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan allows employees to set aside funds through payroll deduction. Flexible savings account funds are 100 percent available as soon as the employee is eligible.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2020, the Bullitt County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Prior Period Adjustments

The beginning balance of the general, jail, and EMS funds were increased by \$963, \$612, and \$448, respectively, and the jail commissary fund decreased by \$225 to correct prior year amounts.

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 11,050,000	\$ 11,421,561	\$ 10,693,160	\$ (728,401)
Excess Fees	1,000,000	1,000,000	979,040	(20,960)
Licenses and Permits	1,142,200	1,283,528	1,516,523	232,995
Intergovernmental	432,500	508,691	647,632	138,941
Charges for Services	45,000	45,000	33,648	(11,352)
Miscellaneous	702,500	1,139,936	843,769	(296,167)
Interest	1,000	1,000	28	(972)
Total Receipts	<u>14,373,200</u>	<u>15,399,716</u>	<u>14,713,800</u>	<u>(685,916)</u>
DISBURSEMENTS				
General Government	5,391,648	5,623,125	5,422,322	200,803
Protection to Persons and Property	453,628	466,524	439,364	27,160
General Health and Sanitation	601,784	677,084	625,537	51,547
Social Services	151,200	172,345	171,728	617
Recreation and Culture	220,403	220,403	210,497	9,906
Debt Service	1,024,064	1,024,064	1,023,553	511
Capital Projects	232,399	119,316	33,979	85,337
Administration	4,007,872	4,124,249	2,883,902	1,240,347
Total Disbursements	<u>12,082,998</u>	<u>12,427,110</u>	<u>10,810,882</u>	<u>1,616,228</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,290,202</u>	<u>2,972,606</u>	<u>3,902,918</u>	<u>930,312</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			9,400	9,400
Transfers To Other Funds	(5,432,899)	(5,432,899)	(4,929,066)	503,833
Total Other Adjustments to Cash (Uses)	<u>(5,432,899)</u>	<u>(5,432,899)</u>	<u>(4,919,666)</u>	<u>513,233</u>
Net Change in Fund Balance	(3,142,697)	(2,460,293)	(1,016,748)	1,443,545
Fund Balance - Beginning (Restated)	<u>3,142,697</u>	<u>3,142,697</u>	<u>2,062,634</u>	<u>(1,080,063)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 682,404</u>	<u>\$ 1,045,886</u>	<u>\$ 363,482</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,601,627	\$ 1,723,828	\$ 2,023,742	\$ 299,914
Miscellaneous	3,500	69,250	71,601	2,351
Total Receipts	<u>1,605,127</u>	<u>1,793,078</u>	<u>2,095,343</u>	<u>302,265</u>
DISBURSEMENTS				
Roads	2,244,603	2,394,510	1,829,360	565,150
Administration	582,000	620,044	610,851	9,193
Total Disbursements	<u>2,826,603</u>	<u>3,014,554</u>	<u>2,440,211</u>	<u>574,343</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,221,476)</u>	<u>(1,221,476)</u>	<u>(344,868)</u>	<u>876,608</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,221,476	1,221,476	344,868	(876,608)
Total Other Adjustments to Cash (Uses)	<u>1,221,476</u>	<u>1,221,476</u>	<u>344,868</u>	<u>(876,608)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,432,000	\$ 1,433,750	\$ 1,849,915	\$ 416,165
Charges for Services	195,000	196,379	189,483	(6,896)
Miscellaneous	256,000	256,000	296,944	40,944
Total Receipts	<u>1,883,000</u>	<u>1,886,129</u>	<u>2,336,342</u>	<u>450,213</u>
DISBURSEMENTS				
Protection to Persons and Property	3,567,578	3,570,707	3,348,213	222,494
Administration	<u>1,170,000</u>	<u>1,170,000</u>	<u>929,423</u>	<u>240,577</u>
Total Disbursements	<u>4,737,578</u>	<u>4,740,707</u>	<u>4,277,636</u>	<u>463,071</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,854,578)</u>	<u>(2,854,578)</u>	<u>(1,941,294)</u>	<u>913,284</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,854,578	2,854,578	1,940,682	(913,896)
Total Other Adjustments to Cash (Uses)	<u>2,854,578</u>	<u>2,854,578</u>	<u>1,940,682</u>	<u>(913,896)</u>
Net Change in Fund Balance			(612)	(612)
Fund Balance - Beginning (Restated)			<u>612</u>	<u>612</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 400,000	\$ 435,348	\$ 429,585	\$ (5,763)
Miscellaneous		111,396	111,396	
Total Receipts	<u>400,000</u>	<u>546,744</u>	<u>540,981</u>	<u>(5,763)</u>
DISBURSEMENTS				
Protection to Persons and Property	7,900	7,900		7,900
Roads	440,000	796,959	451,476	345,483
Total Disbursements	<u>447,900</u>	<u>804,859</u>	<u>451,476</u>	<u>353,383</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(47,900)</u>	<u>(258,115)</u>	<u>89,505</u>	<u>347,620</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(602,100)	(602,100)		602,100
Total Other Adjustments to Cash (Uses)	<u>(602,100)</u>	<u>(602,100)</u>		<u>602,100</u>
Net Change in Fund Balance	(650,000)	(860,215)	89,505	949,720
Fund Balance - Beginning	<u>650,000</u>	<u>860,215</u>	<u>860,216</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 949,721</u>	<u>\$ 949,721</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 145,000	\$ 145,000	\$	\$ (145,000)
Total Receipts	<u>145,000</u>	<u>145,000</u>		<u>(145,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	145,000	145,000		145,000
Total Disbursements	<u>145,000</u>	<u>145,000</u>		<u>145,000</u>
Net Change in Fund Balance				
Fund Balance - Beginning			168,594	168,594
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 168,594</u>	<u>\$ 168,594</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 14,000	\$ 14,000	\$ 10,000	\$ (4,000)
Charges for Services	3,048,100	3,048,100	3,045,979	(2,121)
Miscellaneous	4,000	19,764	24,998	5,234
Total Receipts	<u>3,066,100</u>	<u>3,081,864</u>	<u>3,080,977</u>	<u>(887)</u>
DISBURSEMENTS				
Protection to Persons and Property	3,707,045	4,132,946	4,132,946	
Administration	1,318,000	1,590,267	1,590,267	
Total Disbursements	<u>5,025,045</u>	<u>5,723,213</u>	<u>5,723,213</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,958,945)</u>	<u>(2,641,349)</u>	<u>(2,642,236)</u>	<u>(887)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,958,945	1,958,945	2,641,788	682,843
Total Other Adjustments to Cash (Uses)	<u>1,958,945</u>	<u>1,958,945</u>	<u>2,641,788</u>	<u>682,843</u>
Net Change in Fund Balance		(682,404)	(448)	681,956
Fund Balance - Beginning (Restated)			448	448
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (682,404)</u>	<u>\$ 0</u>	<u>\$ 682,404</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	400	400		(400)
Miscellaneous			9,400	9,400
Total Receipts	<u>600</u>	<u>600</u>	<u>9,400</u>	<u>8,800</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>2,000</u>	<u>2,000</u>	<u>1,789</u>	<u>211</u>
Total Disbursements	<u>2,000</u>	<u>2,000</u>	<u>1,789</u>	<u>211</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,400)</u>	<u>(1,400)</u>	<u>7,611</u>	<u>9,011</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,728	1,728
Transfers To Other Funds			(9,400)	(9,400)
Total Other Adjustments to Cash (Uses)			<u>(7,672)</u>	<u>(7,672)</u>
Net Change in Fund Balance	(1,400)	(1,400)	(61)	1,339
Fund Balance - Beginning	<u>1,400</u>	<u>1,400</u>	<u>706</u>	<u>(694)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 645</u>	<u>\$ 645</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,144,868	\$ (55,132)
Intergovernmental	375,000	375,000	405,229	30,229
Miscellaneous	501,500	503,600	156,740	(346,860)
Total Receipts	<u>2,076,500</u>	<u>2,078,600</u>	<u>1,706,837</u>	<u>(371,763)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,097,068	4,445,299	3,142,576	1,302,723
Debt Service	523,213	523,213	522,631	582
Administration	416,500	418,500	338,376	80,124
Total Disbursements	<u>5,036,781</u>	<u>5,387,012</u>	<u>4,003,583</u>	<u>1,383,429</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,960,281)</u>	<u>(3,308,412)</u>	<u>(2,296,746)</u>	<u>1,011,666</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,051,533	1,051,533
Transfers To Other Funds			<u>(1,051,533)</u>	<u>(1,051,533)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(2,960,281)	(3,308,412)	(2,296,746)	1,011,666
Fund Balance - Beginning	<u>2,960,281</u>	<u>3,308,412</u>	<u>3,308,412</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,011,666</u>	<u>\$ 1,011,666</u>

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

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**BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
<i>Direct Program - Public Health and Social Emergency Funds</i>				
COVID-19 - Provider Relief Fund	93.498		\$ -	\$ 78,281
Total U.S. Department of Health and Human Service			<u>-</u>	<u>78,281</u>
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department of Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	2000004364	\$ -	\$ 1,355,778
Total U.S. Department of Treasury			<u>-</u>	<u>1,355,778</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Emergency Management Performance Grants	97.042	2000000513	\$ -	\$ 28,386
Total U.S. Department of Homeland Security			<u>-</u>	<u>28,386</u>
Total Expenditures of Federal Awards			<u>\$ 0</u>	<u>\$ 1,462,445</u>

The accompanying notes are an integral part of this schedule.

BULLITT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Bullitt County, Kentucky under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bullitt County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bullitt County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Bullitt County has not adopted an indirect cost rate allowed under the Uniform Guidance.

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

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BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,077,975	\$	\$	\$ 1,077,975
Land Improvements	255,659		40,420	215,239
Buildings and Improvements	34,036,692			34,036,692
Machinery and Equipment	4,098,566			4,098,566
Vehicles	3,091,981	472,573	366,168	3,198,386
Infrastructure	13,259,844	1,101,903		14,361,747
 Total Capital Assets	 <u>\$ 55,820,717</u>	 <u>\$ 1,574,476</u>	 <u>\$ 406,588</u>	 <u>\$ 56,988,605</u>

BULLITT COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2020

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 15,000	10-40
Buildings and Improvements	\$ 30,000	10-75
Machinery and Equipment	\$ 4,000	3-25
Vehicles	\$ 4,000	3-12
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bullitt County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Bullitt County Fiscal Court's financial statement and have issued our report thereon dated August 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Bullitt County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-01, 2020-004, 2020-005, and 2020-007.

Views of Responsible Officials and Planned Corrective Action

Bullitt County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 26, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Bullitt County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Bullitt County Fiscal Court's major federal programs for the year ended June 30, 2020. The Bullitt County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bullitt County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Bullitt County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Bullitt County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Opinion on Each Major Federal Program

In our opinion, the Bullitt County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Bullitt County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Bullitt County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-008 that we consider to be a significant deficiency.

The Bullitt County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Bullitt County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 26, 2021

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

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BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.019	COVID-19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings

2020-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked

This is a repeat finding and was included in the prior year audit report as finding 2019-001. Bullitt County employee timesheets do not accurately reflect actual hours worked by employees. The following weaknesses were noted during testing procedures and auditee staff inquiry:

- Most employees work from 8:00 a.m. until 4:00 p.m. daily. The employees leave during this period for a lunch break. However, the employees' timesheets show time worked of 8 hours each day, which would include the lunch break. So employees that are paid on an hourly basis are being paid for time not spent working.
- Salaried employees who work overtime do not account for overtime worked on their timesheets because the county will not compensate them for their overtime. They track their own overtime hours earned and take that time off later.

The county's personnel policy is not clear in defining what hours constitute a full work day, including breaks and lunch. If the county wants to allow employees to work through lunch and be paid for that, there needs to be a policy in place to allow the employee and employer to enter into a mutual agreement for such an arrangement.

Without a clear definition of when employees are on work time versus break time, employees could end up being paid for hours not actually worked. Also, the county's personnel policy does not require salaried employees to be paid for overtime earned, resulting in a possible noncompliance with state law for salaried employees who are not exempt from overtime.

KRS 337.355 states, "[e]mployers, except those subject to the federal railway labor act, shall grant their employees a reasonable period for lunch, and such time shall be as close to the middle of the employee's scheduled work shift as possible. In no case shall an employee be required to take a lunch period sooner than three (3) hours after his work shift commences, nor more than five (5) hours from the time his work shift commences. This section shall not be construed to negate any provision of a collective bargaining agreement or mutual agreement between the employee and employer."

KRS 337.320 requires the following records to be kept by an employer for each employee:

- The amount paid each pay period to each employee,
- The hours worked each day and each week by each employee, and
- Such other information as the commissioner requires.

We recommend the fiscal court implement the following procedures:

- Review the personnel policy to ensure it clearly states what defines a work day, including breaks and lunch, and that hourly employees only get paid for actual hours worked as documented on timesheets.
- Review each salaried employee's job duties, and if the employee is deemed exempt from overtime, then document the assessment and conclusion in the employee's personnel file.
- Ensure all employee timesheets reflect actual hours worked, including overtime earned and any leave taken.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have resolved this issue by adopting a new Employee Handbook.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-002 The Bullitt County Fiscal Court Did Not Have Adequate Controls Over The Fuel FOB System

This is a repeat finding and was included in the prior year audit report as finding 2019-003. The Bullitt County Fiscal Court did not have adequate controls over the use of fuel by county employees at the county's fuel station. The county fuel station utilizes a fob system to track fuel usage that requires a fob and the employee's PIN number. During fiscal year 2020, approximately \$108,289 of fuel was dispensed through use of the fuel fob system in order for the county to operate its equipment and vehicles.

All employees are assigned a fuel fob and PIN number to dispense fuel with the exception of the road department. Due to the need for all employees to have access to all road department vehicles and equipment, each piece of equipment or vehicle is assigned its own fuel fob. Road department employees are still required to enter their own unique PIN number.

There were no set policies or procedures for the following:

- Authorization to request new fuel fobs or PIN numbers for employees to allow them access to the fuel station.
- Reconciling fuel transactions to the monthly statement received from the vendor by each department.
- Correcting reconciliation errors when noted.
- Cancelling PIN numbers for employees when they are no longer county employees.
- Maintaining an inventory of inactive fuel fobs or fuel fobs assigned to employees.
- Ensuring that each employee was assigned their own PIN and, when applicable, their own fuel fob.
- One department allowed all employees to use the same PIN number.

Review of the internal controls over the use of fuel by county employees at the county's fuel station shows a lack of controls and a breakdown in communication within the county concerning the management of the fuel station and fuel fob system. Failure to implement and monitor controls over the use of the fuel station and the fuel fob system by county employees at the county's fuel station leaves this process vulnerable to threats of fraud, waste, and abuse and could result in the misappropriation of assets.

Good internal controls for the fuel station and fuel fob system should require policies to authorize the use of the fuel station and fuel fob system be implemented and monitored. Fuel transactions on invoices should be reviewed and reconciled to source documents and analyzed for accuracy, compliance with budget amounts and unusual trends. This review should be documented with any errors and their subsequent correction noted. Unique PIN numbers should be assigned to each employee and fuel fob assignments should be tracked to maintain the fuel fob system's integrity and to ensure fuel fobs and PIN numbers are accounted for and deactivated when circumstances warrant.

It is recommended the fiscal court work to implement policies and monitor control procedures over the county's fuel station and fuel fob system to mitigate the risk resulting from the lack of controls and oversight over the fuel station and fuel fob system.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have gone to [vendor name redacted] with our vehicles and each car will have its own fuel card. Only FOB's will be used by the Road Department for the large vehicles and the Jail.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-003 The Bullitt County Detention Center Did Not Have Segregation Of Duties Over The Jail Commissary Fund

This is a repeat finding and was included in the prior year audit report as finding 2019-004. The Bullitt County Detention Center lacked adequate segregation of duties over the accounting functions related to the jail commissary fund. The former bookkeeper collected funds, issued receipts, posted transactions to the ledgers, and performed the monthly bank reconciliations. Checkout sheets were prepared by the former bookkeeper as well as making the deposits. In addition, two kiosk machines were reconciled by the former bookkeeper with no documentation by the jailer or other designee that the amount of cash was properly recorded and deposited. Deposits were not made daily and receipts issued were not accounted for in numerical sequence (see also finding 2020-004). For disbursements, the former bookkeeper prepared all checks and posted to the ledger. The invoices were not stamped with received date or cancelled when paid. There was not always documentation that invoices or other supporting documents were approved prior to payment; however, two signatures are required. Oversight by either the jailer or another employee was not documented for these activities.

The jailer did not implement adequate policies and procedures to ensure effective internal controls to ensure proper segregation of duties. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

Good internal controls dictate that the collection of receipts, recording of transactions, and financial reporting functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information. If segregation of duties is not possible, implementation of strong compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the detention center segregate duties where possible. If segregation of duties is not possible, the detention center should offset the lack of adequate segregation of duties by implementing compensating controls, such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkouts and the receipts ledger, reconciling any differences. In addition, there should be a comparison of the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer. Initialing and dating the bank reconciliations, bank deposits, daily checkout sheets, receipts and disbursements ledgers, and reports can document this review.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The Jailer will implement a monthly audit at his discretion. The kiosk machines will be reconciled every Wednesday. Deposits will be counted by two people. All bills paid by check will have two signatures. All invoices will be date stamped. It has been my policy to have 2 people sign checks ever since I have been here 1-7-2019. The former bookkeeper was told numerous times that 2 people had to be present when the kiosk machines were opened. She was the only one that had password and key to open kiosk machines. Also she was told numerous times that 2 people should be present when counting the money.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-004 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Controls In Place To Properly Account For Kiosk Transactions

This is a repeat finding and was included in the prior year audit report as finding 2019-002. Auditors reviewed all checkout sheets and compared to bank deposits per monthly bank statements and determined that deposits were not deposited daily as required. One week of daily receipts was tested and noted that the bookkeeper used pre-numbered receipts from various receipt books but the numerical sequence was not accounted for and copies of voided receipts were not kept with the checkout sheets. In addition, two kiosk machines were reconciled by the former bookkeeper with no documentation by the jailer or other designee that the amount of cash was properly recorded and deposited. The former bookkeeper was the only employee with access to the kiosk machines. The kiosk machines were only emptied one to two times per month. Based on review and testing, there is a lack of adequate segregation of duties over daily checkout procedures and kiosk transactions, (see also finding 2020-003). A deposit ticket was found by auditors that had been prepared by the former bookkeeper dated May 13, 2020 totaling \$10,226. The deposit consisted of checks from various vendors for deposit to the commissary profit account. The deposit was promptly put in the bank once the deposit was found. Auditors also located unopened mail that contained checks to be deposited totaling \$21,010 of which \$13,694 was for the fiscal year ended June 30, 2020. All checks that were found were opened and deposited promptly by the official.

The Bullitt County Jailer had not implemented effective policies and procedures to properly outline requirements for commissary daily receipts. There was no management oversight in place over inmate and commissary accounting functions to ensure receipts are batched and deposited daily and that adequate policies were in place for kiosk transactions.

The lack of management oversight, supervision, proper internal controls, and review resulted inadequate accounting for daily receipts and reporting.

Good internal controls dictate that the collection of receipts, recording of receipts transactions, and daily deposit functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information. If segregation of duties is not possible, implementation of strong compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. This manual includes the following accounting and reporting guidance:

“DAILY CHECK-OUT SHEET - Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily deposit is correct, post to the Jail Commissary Fund Receipts Journal.”

“JAIL COMMISSARY RECEIPTS JOURNAL - Receipts should be posted to this journal on a daily basis. The total amount category should agree with the amount deposited line on the Daily Check-Out Sheet.”

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-004 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Controls In Place To Properly Account For Kiosk Transactions (Continued)

We recommend the Bullitt County Jailer implement strong oversight, internal controls, supervision, and review to ensure receipts are batched and deposited daily. In addition, strong internal control need to be implemented for kiosk withdrawals to ensure that cash is properly accounted for and deposited intact the same day. This would require that two employees open the kiosk and the jailer or designee verify the deposit by initialing the deposit and daily checkout sheet. The jailer should comply with the applicable statutes by maintaining required records.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: The kiosk will be emptied and verified by two people. All deposited verified and made daily as needed. No one has a daily deposit. If there is no money we cannot make deposit.

Auditor's Reply: The prescribed uniform system of accounts requires daily deposits. Daily deposits include amounts collected and kiosk funds. It was determined that daily checkouts tested included more than one day of receipts and deposits from the kiosk were not made more than three times per month.

2020-005 The Bullitt County Jailer Failed To Properly Implement Controls Over The Inmate Trust Account

The Bullitt County Jailer failed to implements controls over the inmate account. This account is a custodial trust account used to maintain funds deposited by or on behalf of inmates. Funds deposited by inmates are reduced for allowable jail costs and fees as well as inmate purchases from the jail commissary. At the time of an inmate's release, if the inmate owes no additional amounts, the amount remaining in the inmate's account is refunded to the inmate upon their release. The following deficiencies were noted:

- No management oversight over the removal, deposit and recording of cash from kiosk machines.
- No documentation was maintained to verify the inmate's receipt of items purchased from the commissary and deducted from their account balance.
- Disbursements from the inmate account were not reviewed by a person independent of the accounting function.
- Refunds issued to inmates upon release were not properly accounted for or reviewed by a person independent of the accounting function.

The jailer failed to properly implement internal controls and provide sufficient management oversight over the kiosk accounting process, daily deposits, inmate reports maintained, refunds made to inmates upon release, separate accounting for jail inmate trust bank account, and proper financial statement reporting.

A lack of internal controls over the accounting functions for the inmate trust account allows for undetected errors and possible fraud to occur. In addition, a lack of segregation of duties over this process increased the risk of misappropriation of assets, errors, fraud, and inaccurate financial reporting.

Good internal controls dictate that proper controls be put in place to ensure proper management over inmate accounts and to ensure adherence to applicable laws and regulations.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-005 The Bullitt County Jailer Failed To Properly Implement Controls Over The Inmate Trust Account
 (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County's Budget Preparation and State Local Finance Officer Policy Manual* requires jailers to maintain monthly cash reconciliations, daily checkout sheets, and disbursement ledgers. DLG requirements assist jailers in ensuring that records are complete and accurate.

We recommend the jailer implement procedures to strengthen controls over the inmate account and associated accounting functions which include the following:

- Kiosk machines withdrawals should be performed by two people and prepare a daily checkout sheet that accurately accounts for the funds removed and documented by signatures of both.
- Receipts should be deposited daily and deposit tickets should be prepared and reviewed by an independent person to ensure the amount of the deposit agrees to the daily checkout sheet and cash and checks listed per deposit ticket.
- After the deposit ticket is prepared and reviewed, a person other than the one taking the deposit to the bank should agree the deposit to the daily checkout sheet and receipts ledger. This should be documented by initialing deposit, daily checkout and receipts ledger. The deposit should be attached to the daily checkout sheet after review.
- At a minimum, on a monthly basis, a person independent of the accounting function should review deposits and compare to the inmate fund in the accounting system to ensure accuracy.
- The inmate account is considered a trust account and should reconcile to zero each month. Bank reconciliations should be performed monthly and reviewed by a person independent of the accounting process.
- All disbursements should be reviewed by a person independent of the accounting function. The jailer should implement procedures to require the inmates to sign a receipt documenting the return of their fund balance upon release.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: All checks written out of the trust account will be verified by two people. They have always been verified by 2 people. A lot of things in this audit I do not understand. Last year's audit did not seem to have all these discrepancies. Last bookkeeper we had just did not do her job. I asked her regularly how she was doing and if she needed any help. The answer was always the same (everything is alright.) 2 ladies from Hardin County Jail came here 2 times for 2 days to help. The bookkeeper was there 1 day to help. [Vendor name redacted] lady came here 5 or 6 times from Tenn and stayed 2 or 3 days at a time to help. Previous bookkeeper went to Nashville, Tenn. 2 times for training on commissary. She had more training than anyone who has ever worked this job.

Auditor's Reply: The lack of adequate segregation of duties affects all areas of the jail's required accounting and reporting function. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-006 The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required

During testing of expenditures, auditors noted that purchase orders were prepared after the invoice was received. The accounts payable clerk would assign a purchase order number to the invoice. The invoices from various departments would be sent to the accounts payable clerk to enter in the system. Purchase orders should be prepared prior to invoice being received.

The purchase order system utilized by the county tracks all invoices to be paid. Invoices tested had appropriation account code indicated, stamped with date received, claims list was prepared and approved by fiscal court, and the appropriation ledger was updated on a regular basis. However, the purchase order listing as required was not prepared and expenditures to be paid were not checked to see if they exceeded available line item balance.

By not properly following the purchase order system as required, the county could exceed budgeted line items during the year which is prohibited. Claim checks should not be signed unless the following conditions exist:

- Claim reviewed by fiscal court.
- Sufficient fund balance and adequate cash in the bank to cover the check.
- Adequate free balance in a **properly budgeted** appropriation account to cover the check.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "PURCHASE ORDER JOURNAL - A daily, chronological listing of all purchase orders issued. The journal should indicate the P.O. number, issue approved by appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of the invoice, date claim reviewed by fiscal court, date paid, and amount paid." The Department for Local Government guidelines state that the main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. The expenditure to be paid cannot exceed available line item without prior approval of transfer.

We recommend the fiscal court establish a well planned and executed purchase order system and monitor their budget to ensure expenditures do not exceed budgeted appropriations.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We have put into place a new Purchase Order program to eliminate all the problems we have had before; we have new staff working together to make this the best it can be. All Department heads are to approve all Purchase Orders.

2020-007 The Bullitt County Detention Center Did Not Have Adequate Controls Over Disbursements

The Bullitt County Detention Center did not have adequate controls over disbursements. The following deficiencies were noted:

- The jailer used personal credit card to make purchases.
- Eight purchases totaling \$4,626 were made with debit cards which is prohibited.
- Sales tax was paid on some purchases and reimbursed to others from invoices submitted.
- Seventeen invoices tested were not date stamped when received and were not effectively canceled in order to prevent duplicate payments.
- Back of checks were not obtained from the bank to verify endorsement.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings (Continued)

2020-007 The Bullitt County Detention Center Did Not Have Adequate Controls Over Disbursements
 (Continued)

The jailer was not aware that debit cards were prohibited. The jailer also made purchases with his personal credit card and submitted the invoices for reimbursement. He was not aware that the reimbursements submitted should have excluded the sales tax paid. The jail does have a tax exempt number and the jailer was not aware that several large purchases had been made that included sales tax. These deficiencies were caused by lack of adequate internal controls and a lack of oversight by management of disbursements procedures.

Use of debit cards and failure to properly maintain the original invoice, to document the date received, and to effectively cancel invoices, as required by the Department for Local Government, could lead to fraudulent invoices being paid or duplicate payments. By using personal credit card to make purchases and requesting reimbursement, the approval process by fiscal court is circumvented. The lack of internal controls increases the risk of material misstatement due to fraud or error.

Proper internal controls over disbursements are important to ensure disbursements are properly handled and are in compliance with applicable laws and regulations.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states that debit cards (a card which allows immediate electronic payment of expenses or access to funds), and on-line payments directly from a bank account, are prohibited. The Department for Local Government requires the official to date stamp the vendor's original bill or invoice when received and retain a copy for their own records. Strong internal controls dictate that invoices or other documents should be effectively cancelled in order to prevent duplicate payments. The Department of Revenue issued a tax exemption number for Bullitt County Fiscal Court that authorizes purchases of tangible personal property, or services including utilities, without paying the vendor for sales or usage tax with respect to such purchases.

We recommend the jailer ensure all original invoices are maintained and are properly date stamped when received. Original invoices should be effectively cancelled to prevent duplicate payments. Additionally, we recommend the jailer immediately stop the use of debit card for purchases and paying sales tax on qualifying purchases. The jailer should refrain from using his personal credit card for purchases and requesting reimbursement that includes sales tax paid.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Debit card has been cancelled. All invoices received will be date stamped. All purchases will be tax exempt. I told auditor that I would go back and pay the sales tax. It is very hard to try and run the Jail without credit card. Previous Jailer probably just gave up and did not do anything because of all the red tape. Some purchase have to be with credit cards. I will do better in the future.

Auditor's Reply: The use of credit cards by the jail is allowed if proper approval and procedures are followed.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section III: Federal Award Findings And Questioned Costs

2020-008 The Bullitt County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Federal Program: CFDA 21.109 COVID-19 - Coronavirus Relief Fund

Award Number and Year: 2000004364, 2020 Reimbursement #1

Name of Federal Agency : U.S. Department of the Treasury

Pass-Through Agency: Commonwealth of Kentucky, Department for Local Government

Compliance Requirements: Period of Performance

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$35,125

Identification of Questioned Costs and How Computed:

The Bullitt County Fiscal Court submitted payroll expenses incurred prior to March 1, 2020, for reimbursement from the Coronavirus Relief Fund (The Fund) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). The ineligible expense was for the sheriff's department's payroll matching reimbursement that was paid on April 7, 2020. The payroll submission causing questioned costs ran from February 15, 2020 through February 29, 2020, which is a pay period outside the CRF's prescribed period of performance.

Questioned costs were computed based on the cost of the sheriff department's payroll matching paid for the period of February 15, 2020 through February 29, 2020, which were included in the April 7, 2020 payroll submission. The amount of the sheriff's department's payroll matching for the pay period in February being questioned is \$35,125.

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Further guidance provided to the county on DLG's Coronavirus Relief Fund application for funding stated "A cost is "incurred" when the responsible unit of government has expended funds to cover the cost." Based on that guidance, the county thought that since the reimbursement for employer's matching was paid on April 7, 2020, the payroll would have been incurred during the grant's period of performance and therefore allowed to be submitted for reimbursement.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that:

- are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the state or government; and
- were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020, per section 601(d) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section III: Federal Award Findings And Questioned Costs (Continued)

2020-008 The Bullitt County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of state, local, and tribal government practices, Treasury clarified that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).

Additionally, CFR 200.303 states: “The non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

We recommend the Bullitt County Fiscal Court establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. We also recommend the Bullitt County Fiscal Court contact the Department for Local Government for guidance on how to resolve this issue.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: On June 17, 2021 replacement documentation was issued to the Department for Local Government for the first CRF request, which was originally submitted on July 21, 2020. Documentation for the March 3, 2020 Deputy Payroll was replaced with the June 2, 2020 Deputy Payroll. The amount was the same. Although, the check was issued in March from our office to the Sheriff’s office, the hours worked were partially for February. Spending was to have occurred after March 1, 2020 to be eligible.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	The Employees Timesheets Do Not Reflect Actual Hours Worked	Unresolved	See corrective action for current year finding 2020-001
2019-002	The Bullitt County Detention Center Does Not Make Daily Deposits	Unresolved	See corrective action for current year finding 2020-004
2019-003	The Bullitt County Fiscal Court Did Not Have Adequate Controls Over The Use Of Fuel By County Employees At The County’s Fuel Station	Unresolved	See corrective action for current year finding 2020-002
2019-004	The Bullitt County Detention Center Lacks Adequate Segregation Of Duties Over Receipts And Reconciliations	Unresolved	See corrective action for current year finding 2020-003

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BULLITT COUNTY FISCAL COURT

For The Year Ended June 30, 2020

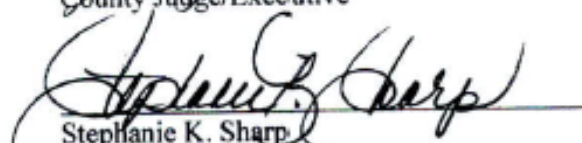
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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BULLITT COUNTY FISCAL COURT

For The Year Ended June 30, 2020

The Bullitt County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Jerry Summers
County Judge/Executive


Stephanie K. Sharp
County Treasurer