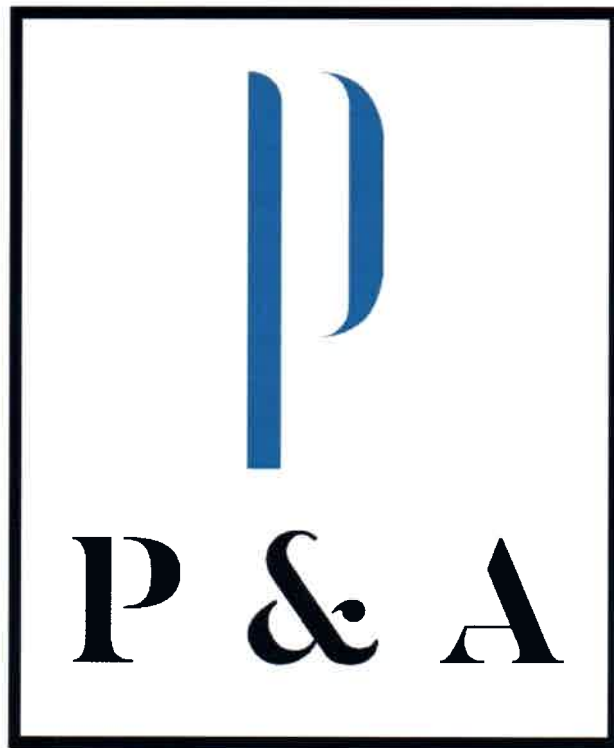


**REPORT OF THE AUDIT OF THE  
BULLITT COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 2018**



**PATRICK & ASSOCIATES, LLC**

**124 Candlewood Drive  
Winchester, KY 40391**

CONTENTS

PAGE

**INDEPENDENT AUDITOR’S REPORT..... 1**

**BULLITT COUNTY OFFICIALS..... 4**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS..... 6**

**NOTES TO FINANCIAL STATEMENT ..... 10**

**BUDGETARY COMPARISON SCHEDULES ..... 26**

**NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES ..... 34**

**SCHEDULE OF CAPITAL ASSETS..... 37**

**NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - SCHEDULE OF CAPITAL ASSETS ..... 38**

**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 ..... 41**

**SCHEDULE OF FINDINGS AND RESPONSES ..... 45**

**APPENDIX A:**

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

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, 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, 2018, 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.

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Jerry Summers, Bullitt County Judge/Executive  
Members of the Bullitt County Fiscal Court

### **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, 2018, 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, 2018, 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 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 Capital Asset Schedule 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 Capital Asset Schedule 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. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Jerry Summers, Bullitt County Judge/Executive  
Members of the Bullitt County Fiscal Court

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, 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 Responses included herein, which discusses the following report finding:

2018-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked

Respectfully submitted,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

May 13, 2019

**BULLITT COUNTY OFFICIALS**

**For The Year Ended June 30, 2018**

**Fiscal Court Members:**

Melanie Roberts	County Judge/Executive
Gary Lawson	Magistrate
Dennis Mitchell	Magistrate
Joe Laswell	Magistrate
Joe Rayhill	Magistrate

**Other Elected Officials:**

John W. Woolridge	County Attorney
Martha Knox	Jailer
Kevin Mooney	County Clerk
Paula A. Keith	Circuit Court Clerk
Donnie Tinnell	Sheriff
Bruce Johnson	Property Valuation Administrator
Dave Billings	Coroner

**Appointed Personnel:**

Stephanie Kenann Sharp	County Treasurer
Keith Griffee	Chief Financial Officer
Lisa Craddock	Deputy Judge Executive
Michael Phillips	Emergency Management Director
Hyte Rouse	Road Supervisor

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

**For The Year Ended June 30, 2018**



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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 9,858,384		
Excess Fees	866,865		
Licenses and Permits	1,153,801		
Intergovernmental	596,374	1,636,149	1,220,593
Charges for Services	40,917		121,937
Miscellaneous	736,687	8,018	274,890
Interest	152		
Total Receipts	<u>13,253,180</u>	<u>1,644,167</u>	<u>1,617,420</u>
<b>DISBURSEMENTS</b>			
General Government	5,000,868		
Protection to Persons and Property	397,347		3,517,674
General Health and Sanitation	449,065		
Social Services	126,484		
Recreation and Culture	189,781		
Roads		1,960,524	
Debt Service	308,872		
Capital Projects	1,017		
Administration	2,194,421	521,454	1,131,605
Total Disbursements	<u>8,667,855</u>	<u>2,481,978</u>	<u>4,649,279</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,585,325</u>	<u>(837,811)</u>	<u>(3,031,859)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds			
Change In Payroll Account	(29,790)		
Transfers From Other Funds		837,771	3,031,859
Transfers To Other Funds	(5,467,020)		
Total Other Adjustments to Cash (Uses)	<u>(5,496,810)</u>	<u>837,771</u>	<u>3,031,859</u>
Net Change in Fund Balance	(911,485)	(40)	
Fund Balance - Beginning (Restated)	2,025,954	40	
Fund Balance - Ending	<u>\$ 1,114,469</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,172,781	\$ 16,110	\$ 39,657
Less: Outstanding Checks	(58,312)	(16,110)	(39,657)
Fund Balance - Ending	<u>\$ 1,114,469</u>	<u>\$ 0</u>	<u>\$ 0</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, 2018**  
**(Continued)**

<u>Budgeted Funds</u>				
<u>Local Government Economic Assistance Fund</u>	<u>Federal Grant Fund</u>	<u>EMS Fund</u>	<u>Forest Fire Fund</u>	<u>911 Fund</u>
			\$	\$ 1,176,574
439,457	25,438	3,066,481 19,091		346,095
<u>439,457</u>	<u>25,438</u>	<u>3,085,572</u>		<u>1,522,669</u>
	7,468	3,114,509	1,728	3,110,640
476,172				
		1,085,169		235,428
<u>476,172</u>	<u>7,468</u>	<u>4,199,678</u>	<u>1,728</u>	<u>3,346,068</u>
<u>(36,715)</u>	<u>17,970</u>	<u>(1,114,106)</u>	<u>(1,728)</u>	<u>(1,823,399)</u>
				4,608,500
		1,114,106	1,728	
		<u>1,114,106</u>	<u>1,728</u>	<u>4,608,500</u>
(36,715)	17,970			2,785,101
669,625	150,624		706	668,902
<u>\$ 632,910</u>	<u>\$ 168,594</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 3,454,003</u>
\$ 632,910	\$ 168,594	\$ 48,964 (48,964)	\$ 706	\$ 3,454,960 (957)
<u>\$ 632,910</u>	<u>\$ 168,594</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 3,454,003</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, 2018**  
**(Continued)**

	Unbudgeted Funds			Total Funds
	General Obligation Bond Fund	Public Facilities Construction Corporation Fund	Jail Commisary Fund	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 11,034,958
Excess Fees				866,865
Licenses and Permits				1,153,801
Intergovernmental		1,248,413		5,512,519
Charges for Services				3,229,335
Miscellaneous			199,943	1,238,629
Interest	690			842
Total Receipts	<u>690</u>	<u>1,248,413</u>	<u>199,943</u>	<u>23,036,949</u>
<b>DISBURSEMENTS</b>				
General Government				5,000,868
Protection to Persons and Property				10,149,366
General Health and Sanitation				449,065
Social Services				126,484
Recreation and Culture			188,697	378,478
Roads				2,436,696
Debt Service	481,556	1,248,413		2,038,841
Capital Projects				1,017
Administration				5,168,077
Total Disbursements	<u>481,556</u>	<u>1,248,413</u>	<u>188,697</u>	<u>25,748,892</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(480,866)</u>		<u>11,246</u>	<u>(2,711,943)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds				4,608,500
Change In Payroll Account				(29,790)
Transfers From Other Funds	481,556			5,467,020
Transfers To Other Funds				(5,467,020)
Total Other Adjustments to Cash (Uses)	<u>481,556</u>			<u>4,578,710</u>
Net Change in Fund Balance	690		11,246	1,866,767
Fund Balance - Beginning (Restated)	47		170,707	3,686,605
Fund Balance - Ending	<u>\$ 737</u>	<u>\$ 0</u>	<u>\$ 181,953</u>	<u>\$ 5,553,372</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 737	\$	\$ 181,953	\$ 5,717,372
Less: Outstanding Checks				(164,000)
Fund Balance - Ending	<u>\$ 737</u>	<u>\$ 0</u>	<u>\$ 181,953</u>	<u>\$ 5,553,372</u>

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	10
NOTE 2.	DEPOSITS AND INVESTMENTS .....	14
NOTE 3.	TRANSFERS .....	14
NOTE 4.	AGENCY TRUST FUNDS.....	15
NOTE 5.	LONG-TERM DEBT.....	15
NOTE 6.	CONTINGENCIES.....	19
NOTE 7.	CONTINGENT LIABILITY.....	19
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	19
NOTE 9.	DEFERRED COMPENSATION .....	23
NOTE 10.	FLEXIBLE SPENDING ACCOUNT .....	23
NOTE 11.	INSURANCE .....	23
NOTE 12.	SUBSEQUENT EVENTS .....	23
NOTE 13.	PRIOR PERIOD ADJUSTMENTS.....	23

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2018**

**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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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.

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:

General Obligation Bond Fund – The primary purpose of this fund is to make the debt service payments for the detention center facility project debt obligations. Transfers are made to this account from the general fund.

Public Facilities 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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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.

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 general obligation bond fund or 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

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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, 2018**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC 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 met.

**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 government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2018.

	General Fund	Total Transfers In
Road Fund	\$ 837,771	\$ 837,771
Jail Fund	3,031,859	3,031,859
EMS Fund	1,114,106	1,114,106
General Obligation Bond Fund	481,556	481,556
Forest Fire Fund	<u>1,728</u>	<u>1,728</u>
Total Transfers Out	<u>\$ 5,467,020</u>	<u>\$ 5,467,020</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, 2018**  
**(Continued)**

**Note 4. Agency Trust Funds**

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2018, was \$31,062.

**Note 5. Long-term Debt**

**A. 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, 2018, \$1,248,413 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, 2018, was \$9,328,185. 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. 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
2019	\$ 878,595	\$ 423,911
2020	922,022	380,502
2021	967,654	334,851
2022	1,015,533	286,972
2023	1,065,800	236,707
2024-2027	4,478,581	401,546
Totals	<u>\$ 9,328,185</u>	<u>\$ 2,064,489</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.

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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. 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 semi-annual interest payments due on February 1 and August 1. The bond will mature on February 1, 2026. The principal balance at June 30, 2018, was \$4,210,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 400,000	\$ 81,619
2020	405,000	75,619
2021	410,000	68,531
2022	420,000	60,331
2023	430,000	51,931
2024-2028	<u>2,145,000</u>	<u>127,657</u>
Totals	<u>\$ 4,210,000</u>	<u>\$ 465,688</u>

**C. 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. The principal balance at June 30, 2018, was \$1,844,095. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 245,446	\$ 61,492
2020	252,281	52,668
2021	259,307	43,598
2022	266,529	34,275
2023	273,952	24,694
2024-2025	<u>546,580</u>	<u>19,567</u>
Totals	<u>\$ 1,844,095</u>	<u>\$ 236,294</u>

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. 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 was 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. The principal balance at June 30, 2018, was \$4,608,500. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	\$ 417,683	\$ 93,010
2020	423,053	100,161
2021	433,122	90,050
2022	443,430	79,698
2023	453,984	69,100
2024-2028	<u>2,437,228</u>	<u>177,489</u>
Totals	<u>\$ 4,608,500</u>	<u>\$ 609,508</u>

**E. 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, 2018, is as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2018	Settlement Amount at June 30, 2018
Judicial Center - Refinance	June 20, 2007	March 1, 2027	\$ 9,328,185	\$ (852,942)

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**F. Interest Rate Swap (Continued)**

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, 2018. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

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 unscheduled 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, 2018**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 4,605,000	\$	\$ 395,000	\$ 4,210,000	\$ 400,000
Financing Obligations	12,248,216	4,608,500	1,075,936	15,780,780	1,541,724
Total Long-term Debt	<u>\$ 16,853,216</u>	<u>\$ 4,608,500</u>	<u>\$ 1,470,936</u>	<u>\$ 19,990,780</u>	<u>\$ 1,941,724</u>

**Note 6. Contingencies**

The county is involved in multiple lawsuits that arose from the normal course of doing business. 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. Contingent Liability**

The county had previously agreed with County Fee Systems to make payments to the Kentucky State Treasurer for a total of \$638,861 in 34 equal monthly payments of \$14,000 beginning March 2016 and one final payment of \$162,861, on December 31, 2018, to retire the debt of the former Bullitt County Sheriff, at zero rate of interest. The Bullitt County Fiscal Court made payments until fiscal year 2018 at which point the county filed suit against the former sheriff to recover the deficit. The case is currently ongoing.

**Note 8. 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.

The county's contribution for FY 2016 was \$1,218,289, FY 2017 was \$1,156,207, and FY 2018 was \$1,586,395.

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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

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 19.18 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 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.

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 31.55 percent.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

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

Once members reach a minimum vesting period of 15 years, 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%. 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% 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.



**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

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

Once members reach a minimum vesting period of 15 years, 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%. 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% 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%. 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.

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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2018**  
**(Continued)**

**Note 9. 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Flexible Spending Account**

The Bullitt County Fiscal Court established a flexible spending account in early 2000s to provide employees and additional health benefit. The fiscal court 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.

**Note 11. Insurance**

For the fiscal year ended June 30, 2018, 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 12. Subsequent Events**

On August 21, 2018, the Bullitt County Fiscal Court voted to enter into a lease obligation in the amount of \$2,860,000 to finance the installation and equipping of an energy improvement project in various facilities owned by the county.

**Note 13. Prior Period Adjustments**

The beginning balance of the general fund was increased by \$9,020 to account for prior year voided checks. The beginning balance of the general obligation bond fund in the amount of \$47 was also added for the inclusion of that account in the current year that was not included in the prior year.

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2018**

THIS PAGE LEFT BLANK INTENTIONALLY

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2018**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 10,195,000	\$ 10,381,024	\$ 9,858,384	\$ (522,640)
Excess Fees	700,000	866,865	866,865	
Licenses and Permits	981,700	1,075,142	1,153,801	78,659
Intergovernmental	807,100	910,577	596,374	(314,203)
Charges for Services	25,000	35,526	40,917	5,391
Miscellaneous	287,500	782,897	736,687	(46,210)
Interest	7,500	7,500	152	(7,348)
Total Receipts	<u>13,003,800</u>	<u>14,059,531</u>	<u>13,253,180</u>	<u>(806,351)</u>
<b>DISBURSEMENTS</b>				
General Government	5,067,832	5,124,570	5,000,868	123,702
Protection to Persons and Property	446,866	446,866	397,347	49,519
General Health and Sanitation	475,946	512,396	449,065	63,331
Social Services	143,200	146,200	126,484	19,716
Recreation and Culture	310,686	313,686	189,781	123,905
Debt Service	791,210	791,210	308,872	482,338
Capital Projects	2,000	2,000	1,017	983
Administration	3,015,300	3,629,077	2,194,421	1,434,656
Total Disbursements	<u>10,253,040</u>	<u>10,966,005</u>	<u>8,667,855</u>	<u>2,298,150</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,750,760</u>	<u>3,093,526</u>	<u>4,585,325</u>	<u>1,491,799</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(4,922,626)</u>	<u>(4,922,626)</u>	<u>(5,467,020)</u>	<u>(544,394)</u>
Total Other Adjustments to Cash (Uses)	<u>(4,922,626)</u>	<u>(4,922,626)</u>	<u>(5,467,020)</u>	<u>(544,394)</u>
Net Change in Fund Balance	(2,171,866)	(1,829,100)	(881,695)	947,405
Fund Balance - Beginning	<u>2,171,866</u>	<u>2,171,866</u>	<u>1,996,164</u>	<u>(175,702)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 342,766</u>	<u>\$ 1,114,469</u>	<u>\$ 771,703</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,807,500	\$ 1,813,574	\$ 1,636,149	\$ (177,425)
Miscellaneous	3,500	9,957	8,018	(1,939)
Total Receipts	<u>1,811,000</u>	<u>1,823,531</u>	<u>1,644,167</u>	<u>(179,364)</u>
<b>DISBURSEMENTS</b>				
Roads	2,294,370	2,306,901	1,960,524	346,377
Administration	537,800	537,800	521,454	16,346
Total Disbursements	<u>2,832,170</u>	<u>2,844,701</u>	<u>2,481,978</u>	<u>362,723</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,021,170)</u>	<u>(1,021,170)</u>	<u>(837,811)</u>	<u>183,359</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,021,170	1,021,170	837,771	(183,399)
Total Other Adjustments to Cash (Uses)	<u>1,021,170</u>	<u>1,021,170</u>	<u>837,771</u>	<u>(183,399)</u>
Net Change in Fund Balance			(40)	(40)
Fund Balance - Beginning			<u>40</u>	<u>40</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, 2018**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,336,500	\$ 1,339,440	\$ 1,220,593	\$ (118,847)
Charges for Services	190,000	190,000	121,937	(68,063)
Miscellaneous	218,500	244,040	274,890	30,850
Total Receipts	<u>1,745,000</u>	<u>1,773,480</u>	<u>1,617,420</u>	<u>(156,060)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,255,294	3,517,674	3,517,674	
Administration	1,023,000	1,131,866	1,131,605	261
Total Disbursements	<u>4,278,294</u>	<u>4,649,540</u>	<u>4,649,279</u>	<u>261</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,533,294)</u>	<u>(2,876,060)</u>	<u>(3,031,859)</u>	<u>(155,799)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	2,533,294	2,533,294	3,031,859	498,565
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>2,533,294</u>	<u>2,533,294</u>	<u>3,031,859</u>	<u>498,565</u>
Net Change in Fund Balance		(342,766)		342,766
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (342,766)</u>	<u>\$ 0</u>	<u>\$ 342,766</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 310,000	\$ 449,457	\$ 439,457	\$ (10,000)
Total Receipts	310,000	449,457	439,457	(10,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	7,900	7,900		7,900
Roads	440,000	849,082	476,172	372,910
Total Disbursements	447,900	856,982	476,172	380,810
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(137,900)	(407,525)	(36,715)	370,810
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(262,100)	(262,100)		262,100
Total Other Adjustments to Cash (Uses)	(262,100)	(262,100)		262,100
Net Change in Fund Balance	(400,000)	(669,625)	(36,715)	632,910
Fund Balance - Beginning	400,000	669,625	669,625	
Fund Balance - Ending	\$ 0	\$ 0	\$ 632,910	\$ 632,910



**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 206,000	\$ 212,873	\$ 25,438	\$ (187,435)
Total Receipts	<u>206,000</u>	<u>212,873</u>	<u>25,438</u>	<u>(187,435)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	206,000	381,048	7,468	373,580
Total Disbursements	<u>206,000</u>	<u>381,048</u>	<u>7,468</u>	<u>373,580</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(168,175)</u>	<u>17,970</u>	<u>186,145</u>
Net Change in Fund Balance		(168,175)	17,970	186,145
Fund Balance - Beginning		<u>168,175</u>	<u>150,624</u>	<u>(17,551)</u>
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, 2018**  
**(Continued)**

	<b>EMERGENCY MEDICAL SERVICES FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for Services	2,500,000	2,602,041	3,066,481	464,440
Miscellaneous	4,000	18,918	19,091	173
<b>Total Receipts</b>	<b>2,514,000</b>	<b>2,630,959</b>	<b>3,085,572</b>	<b>454,613</b>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,998,030	3,172,998	3,114,509	58,489
Administration	1,145,532	1,087,523	1,085,169	2,354
<b>Total Disbursements</b>	<b>4,143,562</b>	<b>4,260,521</b>	<b>4,199,678</b>	<b>60,843</b>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,629,562)</u>	<u>(1,629,562)</u>	<u>(1,114,106)</u>	<u>515,456</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,629,562</u>	<u>1,629,562</u>	<u>1,114,106</u>	<u>(515,456)</u>
<b>Total Other Adjustments to Cash (Uses)</b>	<b>1,629,562</b>	<b>1,629,562</b>	<b>1,114,106</b>	<b>(515,456)</b>
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, 2018**  
**(Continued)**

<b>FOREST FIRE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	400	400		(400)
Total Receipts	<u>600</u>	<u>600</u>		<u>(600)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Total Disbursements	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,400)</u>	<u>(1,400)</u>	<u>(1,728)</u>	<u>(328)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>700</u>	<u>700</u>	<u>1,728</u>	<u>1,028</u>
Total Other Adjustments to Cash (Uses)	<u>700</u>	<u>700</u>	<u>1,728</u>	<u>1,028</u>
Net Change in Fund Balance	(700)	(700)		700
Fund Balance - Beginning	<u>700</u>	<u>700</u>	<u>706</u>	<u>6</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 706</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2018**  
**(Continued)**

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,126,741	\$ 1,126,741	\$ 1,176,574	\$ 49,833
Intergovernmental	220,000	312,363	346,095	33,732
Miscellaneous	1,500	1,500		(1,500)
Total Receipts	<u>1,348,241</u>	<u>1,440,604</u>	<u>1,522,669</u>	<u>82,065</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,095,596	6,431,861	3,110,640	3,321,221
Administration	252,645	252,645	235,428	17,217
Total Disbursements	<u>1,348,241</u>	<u>6,684,506</u>	<u>3,346,068</u>	<u>3,338,438</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(5,243,902)</u>	<u>(1,823,399)</u>	<u>3,420,503</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds		<u>4,575,000</u>	<u>4,608,500</u>	<u>33,500</u>
Total Other Adjustments to Cash (Uses)		<u>4,575,000</u>	<u>4,608,500</u>	<u>33,500</u>
Net Change in Fund Balance		(668,902)	2,785,101	3,454,003
Fund Balance - Beginning		<u>668,902</u>	<u>668,902</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,454,003</u>	<u>\$ 3,454,003</u>

**BULLITT COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2018**

**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.

**Note 2. Reconciliation of the General Fund**

Reconciliation of the General Fund:

Other Adjustments To Cash (Uses)	\$ (5,467,020)
To adjust for change in payroll account	<u>(29,790)</u>
Total Other Adjustments To Cash (Uses) - Regulatory Basis	<u>\$ (5,496,810)</u>
Fund Balance - Beginning	\$ 1,996,164
To adjust for change in payroll account	<u>29,790</u>
Total Fund Balance - Beginning - Regulatory Basis	<u>\$ 2,025,954</u>

**BULLITT COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2018**

THIS PAGE LEFT BLANK INTENTIONALLY

**BULLITT COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2018**

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			255,659
Buildings	34,036,692			34,036,692
Machinery and Equipment	4,135,396	60,038	152,343	4,043,091
Vehicles	3,187,069	421,269	412,875	3,195,463
Infrastructure	11,952,516	803,894		12,756,410
 Total Capital Assets	 <u>\$ 54,645,307</u>	 <u>\$ 1,285,201</u>	 <u>\$ 565,218</u>	 <u>\$ 55,365,290</u>



**BULLITT COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2018**

**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 Building Improvements	\$ 30,000	10-75
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***

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

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, 2018, 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 May 13, 2019.

**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) to determine the 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.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2018-001.

### **Views of Responsible Official 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 Responses. 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,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

May 13, 2019

**BULLITT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2018**

THIS PAGE LEFT BLANK INTENTIONALLY

**BULLITT COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2018**

STATE LAWS AND REGULATIONS:

2018-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked

---

This is a repeat finding and was included in the prior year report as finding 2017-003. 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 "lunch period requirements: employers, 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 3 hours after his work shift commences, nor more than 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, and • ensure all employee timesheets reflect actual hours worked, including overtime earned and any leave taken.



**BULLITT COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2018**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2018-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked (Continued)

---

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response:*

*The Judge Executive's office will review the personnel policy to ensure it is in compliance with KRS 337.355. If it is deemed necessary we will define the workday hours and breaks.*

*We have job descriptions and duties for each department. WE will make sure these are added to the employee personnel file.*

*The County Attorney office has addressed these issues and forwarded their response.*

*Clarifying thru IRS the personnel policy and adherents from each employee as to their status, exempt or non-exempt.*

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

**BULLITT COUNTY FISCAL COURT**

**For The Year Ended June 30, 2018**

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2018

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.



County Judge/Executive



County Treasurer