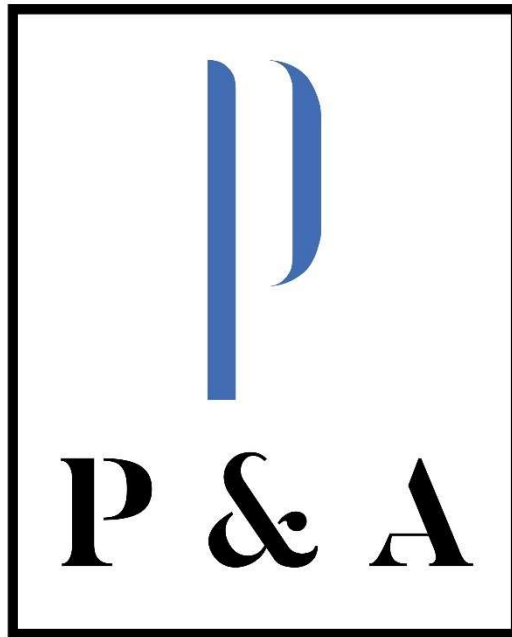


**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2019**



PATRICK & ASSOCIATES, LLC

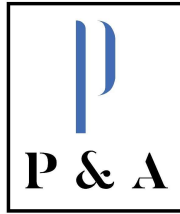
**124 Candlewood Drive
Winchester, KY 40391**

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 OTHER INFORMATION - REGULATORY BASIS 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 <i>GOVERNMENT AUDITING STANDARDS</i>	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 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, 2019, 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 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

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, 2019, 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, 2019, 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statement, subsequent to the date of the financial statement, the World Health Organization declared the outbreak of a novel corona virus as a pandemic. Our opinion is not modified with respect to this matter.

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 Capital Assets 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 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.

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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 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.

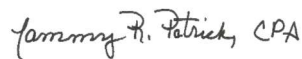
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 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 findings:

- 2019-001 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked
- 2019-002 The Bullitt County Detention Center Does Not Make Daily Deposits
- 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
- 2019-004 The Bullitt County Detention Center Lacks Segregation of Duties Over Receipts and Reconciliations

Respectfully submitted,



Tammy R. Patrick, CPA
 Patrick & Associates, LLC

June 30, 2020

BULLITT COUNTY OFFICIALS**For The Year Ended June 30, 2019****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	County Attorney
Paul Watkins	Jailer
Kevin Mooney	County Clerk
Paulita Keith	Circuit Court Clerk
Walt Sholar	Sheriff
Leon Adcock	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Stephanie Kenann Sharp	County Treasurer
Keith Griffiee	Chief Financial Officer

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 10,204,325	\$	\$
Excess Fees	1,497,646		
Licenses and Permits	980,808		
Intergovernmental	805,288	2,028,922	1,621,720
Charges for Services	41,065		87,779
Miscellaneous	916,780	25,901	315,964
Interest			
Total Receipts	<u>14,445,912</u>	<u>2,054,823</u>	<u>2,025,463</u>
DISBURSEMENTS			
General Government	5,008,091		
Protection to Persons and Property	415,272		3,503,824
General Health and Sanitation	527,661		
Social Services	146,093		
Recreation and Culture	212,191		
Roads		2,017,816	
Debt Service	306,938		
Capital Projects	2,535,869		
Administration	2,119,292	532,135	965,247
Total Disbursements	<u>11,271,407</u>	<u>2,549,951</u>	<u>4,469,071</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,174,505</u>	<u>(495,128)</u>	<u>(2,443,608)</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds	2,885,000		
Transfers From Other Funds		495,128	2,443,608
Transfers To Other Funds	(5,033,150)		
Total Other Adjustments to Cash (Uses)	<u>(2,148,150)</u>	<u>495,128</u>	<u>2,443,608</u>
Net Change in Fund Balance	1,026,355		
Fund Balance - Beginning (restated)	<u>1,035,316</u>		
Fund Balance - Ending	<u>\$ 2,061,671</u>	<u>\$ 0</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 2,084,786	\$ 8	\$ 42,137
Less: Outstanding Checks	<u>(23,115)</u>	<u>(8)</u>	<u>(42,137)</u>
Fund Balance - Ending	<u>\$ 2,061,671</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, 2019
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grants Fund	EMS Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$	\$ 1,122,221
417,634		14,000		378,335
		3,027,689		
		20,790		691,377
<u>417,634</u>		<u>3,062,479</u>		<u>2,191,933</u>
		3,384,398	1,728	1,554,688
190,328				510,693
		1,289,873		272,143
<u>190,328</u>		<u>4,674,271</u>	<u>1,728</u>	<u>2,337,524</u>
227,306		(1,611,792)	(1,728)	(145,591)
		1,611,067	1,728	
		<u>1,611,067</u>	<u>1,728</u>	
227,306		(725)		(145,591)
632,910	168,594	725	706	3,454,003
<u>\$ 860,216</u>	<u>\$ 168,594</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 3,308,412</u>
\$ 860,216	\$ 168,594	\$	\$ 706	\$ 3,320,341
				(11,929)
<u>\$ 860,216</u>	<u>\$ 168,594</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 3,308,412</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, 2019
(Continued)

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>General Obligation Bond Fund</u>	<u>Public Properties Construction Corporation Fund</u>	<u>Jail Commissary Fund</u>	
RECEIPTS				
Taxes	\$	\$	\$	\$ 11,326,546
Excess Fees				1,497,646
Licenses and Permits				980,808
Intergovernmental		1,306,027		6,571,926
Charges for Services				3,156,533
Miscellaneous			88,155	2,058,967
Interest	226			226
Total Receipts	<u>226</u>	<u>1,306,027</u>	<u>88,155</u>	<u>25,592,652</u>
DISBURSEMENTS				
General Government				5,008,091
Protection to Persons and Property				8,859,910
General Health and Sanitation				527,661
Social Services				146,093
Recreation and Culture			137,829	350,020
Roads				2,208,144
Debt Service	481,619	1,306,027		2,605,277
Capital Projects				2,535,869
Administration				5,178,690
Total Disbursements	<u>481,619</u>	<u>1,306,027</u>	<u>137,829</u>	<u>27,419,755</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(481,393)</u>		<u>(49,674)</u>	<u>(1,827,103)</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds				2,885,000
Transfers From Other Funds	481,619			5,033,150
Transfers To Other Funds				(5,033,150)
Total Other Adjustments to Cash (Uses)	<u>481,619</u>			<u>2,885,000</u>
Net Change in Fund Balance	226		(49,674)	1,057,897
Fund Balance - Beginning	737		181,953	5,474,944
Fund Balance - Ending	<u>\$ 963</u>	<u>\$ 0</u>	<u>\$ 132,279</u>	<u>\$ 6,532,841</u>
Composition of Fund Balance				
Bank Balance	\$ 963	\$	\$ 132,279	\$ 6,610,030
Less: Outstanding Checks				(77,189)
Fund Balance - Ending	<u>\$ 963</u>	<u>\$ 0</u>	<u>\$ 132,279</u>	<u>\$ 6,532,841</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	AGENCY TRUST FUNDS	13
NOTE 5.	LONG-TERM DEBT	14
NOTE 6.	CONTINGENCIES	18
NOTE 7.	PRIOR TERM DEFICIT.....	18
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	19
NOTE 9.	DEFERRED COMPENSATION.....	22
NOTE 10.	FLEXIBLE SPENDING ACCOUNT.....	22
NOTE 11.	INSURANCE.....	22
NOTE 12.	PRIOR PERIOD ADJUSTMENTS	23
NOTE 13.	SUBSEQUENT EVENTS	23

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

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, 2019
(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:

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.

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, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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, 2019
(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, 2019, 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 2019.

	General Fund	Total Transfers In
Road Fund	\$ 495,128	495,128
Jail Fund	2,443,608	2,443,608
EMS Fund	1,611,067	1,611,067
Forest Fire Fund	1,728	1,728
General Obligation Bond Fund	481,619	481,619
	<u>\$ 5,033,150</u>	<u>\$ 5,033,150</u>
Total Transfers Out		

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.

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, 2019, was \$128,363.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings

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, 2019, \$1,306,027 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, 2019, was \$8,449,590. 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	Interest & Fees
2020	\$ 922,022	\$ 380,502
2021	967,654	334,851
2022	1,015,533	286,972
2023	1,065,800	236,707
2024	1,118,500	184,004
2025-2027	3,360,081	217,542
Totals	<u>\$ 8,449,590</u>	<u>\$ 1,640,578</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.

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, 2019, was \$1,598,649. Future principal and interest requirements are:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

2. Financing Obligation - Refinancing for Courthouse and Land (Continued)

Fiscal Year Ending June 30,	Principal	Interest & Fees
2020	\$ 252,281	\$ 52,668
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>\$ 1,598,649</u>	<u>\$ 174,802</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 cause 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 \$4,190,817. Future principal and interest requirements are:

Fiscal Year Ending June 30,	Principal	Interest & Fees
2020	\$ 423,053	\$ 100,161
2021	433,122	90,050
2022	443,430	79,698
2023	453,984	69,100
2024	464,789	58,250
2025-2028	1,972,439	119,239
Totals	<u>\$ 4,190,817</u>	<u>\$ 516,498</u>

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 cause 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 \$2,885,000. Future principal and interest requirements are:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

4. Financing Obligation – Energy Savings Project (Continued)

Fiscal Year Ending June 30,	Principal	Interest & Fees
2020	\$ 154,832	\$ 83,666
2021	159,516	78,982
2022	164,341	74,157
2023	169,312	69,185
2024	174,434	64,064
2025-2029	954,588	237,900
2030-2034	<u>1,107,977</u>	<u>84,512</u>
Totals	<u>\$ 2,885,000</u>	<u>\$ 692,466</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 semi-annual 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, 2019, was \$3,810,000. Future principal and interest requirements are:

Fiscal Year Ending June 30,	Principal	Interest & Fees
2020	\$ 405,000	\$ 75,619
2021	410,000	68,531
2022	420,000	60,331
2023	430,000	60,331
2024	435,000	43,331
2025-2028	<u>1,710,000</u>	<u>84,324</u>
Totals	<u>\$ 3,810,000</u>	<u>\$ 392,467</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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

C. Interest Rate Swap (Continued)

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, 2019, is as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2019	Settlement Amount at June 30, 2019
Judicial Center - Refinance	June 20, 2007	March 1, 2027	\$ 8,449,589	\$ (1,000,874)

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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

C. Interest Rate Swap (Continued)

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.

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 15,780,780	\$ 2,885,000	\$ 1,541,724	\$ 17,124,056	\$ 1,752,188
General Obligation Bonds	4,210,000		400,000	3,810,000	405,000
Total Long-term Debt	<u>\$ 19,990,780</u>	<u>\$ 2,885,000</u>	<u>\$ 1,941,724</u>	<u>\$ 20,934,056</u>	<u>\$ 2,157,188</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. Prior Term Deficit

The county 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 \$14,000 beginning March 2016 and one final payment of \$162,861, in December 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. During calendar year 2018, County Fees applied \$328,826 of excess fees due the fiscal court towards the debt. On April 10, 2019, County Fees applied an additional \$58,035 from the sheriff's 75% fund monies to pay off the remaining balance of the prior term deficit.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

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 2017 was \$1,156,207, FY 2018 was \$1,586,395, and FY 2019 was \$1,709,968.

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 21.48 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 8. Employee Retirement System (Continued)

Hazardous (Continued)

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.

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 35.34 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, 2019
(Continued)

Note 8. 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.

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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 8. Employee Retirement System (Continued)

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 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 the early 2000's 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, 2019, 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 12. Prior Period Adjustments

The beginning balance of the general fund was decreased by (\$79,153) and the beginning balance of the EMS Fund was increased by \$725 to correct prior year amounts.

Note 13. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 6, 2020 the Governor of Kentucky declared a health emergency and issued an order to close all nonessential businesses until further notice. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the County's financial operations. Possible effects may include, but are not limited to, disruption to the County's revenue in the form of property and occupational tax collections and absenteeism in the County's labor work force. While the County expects this matter to negatively impact its financial operations, the related impact cannot be reasonably estimated at this time.

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 10,547,585	\$ 10,550,608	\$ 10,204,325	\$ (346,283)
Excess Fees	800,000	800,000	1,497,646	697,646
Licenses and Permits	1,091,700	1,091,700	980,808	(110,892)
Intergovernmental	414,500	634,310	805,288	170,978
Charges for Services	45,000	45,000	41,065	(3,935)
Miscellaneous	267,500	582,794	916,780	333,986
Interest	7,000	7,000		(7,000)
Total Receipts	<u>13,173,285</u>	<u>13,711,412</u>	<u>14,445,912</u>	<u>734,500</u>
DISBURSEMENTS				
General Government	5,258,681	5,228,698	5,008,091	220,607
Protection to Persons and Property	450,906	492,206	415,272	76,934
General Health and Sanitation	567,907	587,130	527,661	59,469
Social Services	161,200	161,200	146,093	15,107
Recreation and Culture	384,573	235,073	212,191	22,882
Debt Service	788,910	788,910	306,938	481,972
Capital Projects	1,500	2,847,200	2,535,869	311,331
Administration	2,390,300	2,624,491	2,119,292	505,199
Total Disbursements	<u>10,003,977</u>	<u>12,964,908</u>	<u>11,271,407</u>	<u>1,693,501</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,169,308</u>	<u>746,504</u>	<u>3,174,505</u>	<u>2,428,001</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds		2,845,700	2,885,000	39,300
Transfers To Other Funds	(4,963,238)	(4,963,238)	(5,033,150)	(69,912)
Total Other Adjustments to Cash (Uses)	<u>(4,963,238)</u>	<u>(2,117,538)</u>	<u>(2,148,150)</u>	<u>(30,612)</u>
Net Change in Fund Balance	(1,793,930)	(1,371,034)	1,026,355	2,397,389
Fund Balance - Beginning (restated)	<u>1,793,930</u>	<u>1,793,930</u>	<u>1,035,316</u>	<u>(758,614)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 422,896</u>	<u>\$ 2,061,671</u>	<u>\$ 1,638,775</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,902,300	\$ 2,221,056	\$ 2,028,922	\$ (192,134)
Miscellaneous	3,500	3,500	25,901	22,401
Total Receipts	<u>1,905,800</u>	<u>2,224,556</u>	<u>2,054,823</u>	<u>(169,733)</u>
DISBURSEMENTS				
Roads	2,233,526	2,551,775	2,017,816	533,959
Administration	546,800	546,800	532,135	14,665
Total Disbursements	<u>2,780,326</u>	<u>3,098,575</u>	<u>2,549,951</u>	<u>548,624</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(874,526)</u>	<u>(874,019)</u>	<u>(495,128)</u>	<u>378,891</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	874,526	874,526	495,128	(379,398)
Total Other Adjustments to Cash (Uses)	<u>874,526</u>	<u>874,526</u>	<u>495,128</u>	<u>(379,398)</u>
Net Change in Fund Balance		507		(507)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 507</u>	<u>\$ 0</u>	<u>\$ (507)</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,392,220	\$ 1,393,582	\$ 1,621,720	\$ 228,138
Charges for Services	190,000	190,000	87,779	(102,221)
Miscellaneous	228,500	257,777	315,964	58,187
Total Receipts	<u>1,810,720</u>	<u>1,841,359</u>	<u>2,025,463</u>	<u>184,104</u>
DISBURSEMENTS				
Protection to Persons and Property	3,495,434	3,596,775	3,503,824	92,951
Administration	1,120,330	1,049,628	965,247	84,381
Total Disbursements	<u>4,615,764</u>	<u>4,646,403</u>	<u>4,469,071</u>	<u>177,332</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,805,044)</u>	<u>(2,805,044)</u>	<u>(2,443,608)</u>	<u>361,436</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,805,044</u>	<u>2,805,044</u>	<u>2,443,608</u>	<u>(361,436)</u>
Total Other Adjustments to Cash (Uses)	<u>2,805,044</u>	<u>2,805,044</u>	<u>2,443,608</u>	<u>(361,436)</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, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 400,000	\$ 411,778	\$ 417,634	\$ 5,856
Total Receipts	<u>400,000</u>	<u>411,778</u>	<u>417,634</u>	<u>5,856</u>
DISBURSEMENTS				
General Government	7,900	7,900		7,900
Roads	440,000	684,687	190,328	494,359
Total Disbursements	<u>447,900</u>	<u>692,587</u>	<u>190,328</u>	<u>502,259</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(47,900)</u>	<u>(280,809)</u>	<u>227,306</u>	<u>508,115</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(352,100)</u>	<u>(352,100)</u>		<u>352,100</u>
Total Other Adjustments to Cash (Uses)	<u>(352,100)</u>	<u>(352,100)</u>		<u>352,100</u>
Net Change in Fund Balance	(400,000)	(632,909)	227,306	860,215
Fund Balance - Beginning	<u>400,000</u>	<u>632,909</u>	<u>632,910</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 860,216</u>	<u>\$ 860,216</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 70,000	\$ 70,000	\$	\$ (70,000)
Total Receipts	70,000	70,000		(70,000)
DISBURSEMENTS				
Roads	70,000	238,595		238,595
Total Disbursements	70,000	238,595		238,595
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(168,595)		168,595
Net Change in Fund Balance		(168,595)		168,595
Fund Balance - Beginning		168,595	168,594	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 168,594	\$ 168,594

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 14,000	\$ 4,000
Charges for Services	2,800,000	2,800,000	3,027,689	227,689
Miscellaneous	4,000	4,314	20,790	16,476
Total Receipts	<u>2,814,000</u>	<u>2,814,314</u>	<u>3,062,479</u>	<u>248,165</u>
DISBURSEMENTS				
Protection to Persons and Property	3,156,755	3,444,208	3,384,398	59,810
Administration	1,167,313	1,304,303	1,289,873	14,430
Total Disbursements	<u>4,324,068</u>	<u>4,748,511</u>	<u>4,674,271</u>	<u>74,240</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,510,068)</u>	<u>(1,934,197)</u>	<u>(1,611,792)</u>	<u>322,405</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,510,068</u>	<u>1,510,068</u>	<u>1,611,067</u>	<u>100,999</u>
Total Other Adjustments to Cash (Uses)	<u>1,510,068</u>	<u>1,510,068</u>	<u>1,611,067</u>	<u>100,999</u>
Net Change in Fund Balance		(424,129)	(725)	423,404
Fund Balance - Beginning		<u>726</u>	<u>725</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (423,403)</u>	<u>\$ 0</u>	<u>\$ 423,403</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(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)
Total Receipts	<u>600</u>	<u>600</u>		<u>(600)</u>
DISBURSEMENTS				
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>
Other Adjustments to Cash (Uses)				
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, 2019
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,111,563	\$ 1,111,563	\$ 1,122,221	\$ 10,658
Intergovernmental	360,000	360,000	378,335	18,335
Miscellaneous	1,500	633,082	691,377	58,295
Total Receipts	<u>1,473,063</u>	<u>2,104,645</u>	<u>2,191,933</u>	<u>87,288</u>
DISBURSEMENTS				
Protection to Persons and Property	4,082,239	4,462,120	1,554,688	2,907,432
Debt Service	522,256	947,841	510,693	437,148
Administration	253,568	273,687	272,143	1,544
Total Disbursements	<u>4,858,063</u>	<u>5,683,648</u>	<u>2,337,524</u>	<u>3,346,124</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,385,000)</u>	<u>(3,579,003)</u>	<u>(145,591)</u>	<u>3,433,412</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	125,000	125,000		(125,000)
Total Other Adjustments to Cash (Uses)	<u>125,000</u>	<u>125,000</u>		<u>(125,000)</u>
Net Change in Fund Balance	(3,260,000)	(3,454,003)	(145,591)	3,308,412
Fund Balance - Beginning	<u>3,260,000</u>	<u>3,454,003</u>	<u>3,454,003</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,308,412</u>	<u>\$ 3,308,412</u>

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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 and Improvements	34,036,692			34,036,692
Machinery and Equipment	4,043,091	226,997	171,522	4,098,566
Vehicles	3,195,463	299,007	402,489	3,091,981
Infrastructure	12,756,410	503,434		13,259,844
 Total Capital Assets	 <u>\$ 55,365,290</u>	 <u>\$ 1,029,438</u>	 <u>\$ 574,011</u>	 <u>\$ 55,820,717</u>

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

June 30, 2019

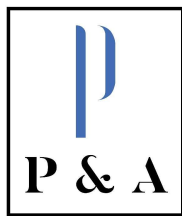
Note 1. Capital Assets

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***

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, 2019, 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 June 30, 2020.

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.

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 Responses, 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 Responses as items 2019-003 and 2019-004 to be material weaknesses.

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 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 Responses as items 2019-001 and 2019-002.

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)

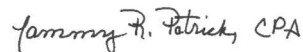
Views of Responsible Official and Planned Corrective Action

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

June 30, 2020

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

STATE LAWS AND REGULATIONS:

2019-001 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 2018-001. 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 "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.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Rhonda Walls, HR Director, is overseeing the updated personnel policy. This will cover hours, job descriptions, overtime, duties, and exempt or non-exempt. The county has also instituted a time card clock for each department.

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2019-002 The Bullitt County Detention Center Does Not Make Daily Deposits

The Bullitt County Detention Center does not make daily deposits, nor prepare daily check-out sheets for funds received by the Jail.

The jailer has not implemented procedures for daily deposits of funds as part of the internal control system.

When deposits are not made daily the risk of misappropriation of assets due to errors in financial reporting and/or theft of funds significantly increases.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual requires that deposits be made daily and intact. All monies collected should be deposited intact and unaltered. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft.

We recommend the Bullitt County Jailer implement procedures to ensure that all deposits are batched together on a daily check out sheet and taken to the bank for deposit on a daily basis.

Views of Responsible Officials and Planned Corrective Action:

County Jailer's Response: Daily deposits are being made when there is money to be deposited. Also daily check-out sheets are being printed out to match the deposit. Reviewed and signed off by 2 people.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

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 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 2019 approximately \$95,000 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 (1) the authorization to request new fuel fobs or PIN numbers for employees to allow them access to fuel station, (2) reconciling fuel transactions to the monthly statement received from the vendor by each department, (3) correcting reconciliation errors when noted, (4) canceling PIN numbers for employees when they are no longer county employees, (5) maintaining an inventory of inactive fuel fobs or fuel fobs assigned to employees, (6) ensuring that each employee was assigned their own PIN and, when applicable, their own fuel fob, and (7) one department allowed all employees to use the same PIN number.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

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 (Continued)

Review of the controls over the use of fuel by county employees at the county's fuel station shows a serious lack of controls and a major 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 extremely 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 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 that 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: Working on policy and procedure update to strengthen this area.

2019-004 The Bullitt County Detention Center Lacks Segregation of Duties Over Receipts and Reconciliations

The Bullitt County Detention Center has a lack of segregation of duties over receipts and reconciliations. The bookkeeper is responsible for collecting receipts, recording receipts in the ledger, batching receipts for deposit, preparing the deposit ticket and reconciling the bank accounts. No compensating controls are in place to have an independent party verify or review the information prepared.

The Jailer has not implemented proper segregation of duties as part of the internal control system.

When accounting functions are not segregated there is a significant risk to the entity of misappropriation of funds due to errors in financial reporting and/or theft of funds.

Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets due through financial reporting and/or theft.

We recommend the Jailer segregate the duties over receipts accounting functions. If segregation is not possible, then the minimum action the Jailer should take is to designate someone independent of the receipts activities to provide an independent review of all accounting records being prepared. This review should be initialed or documented in some way.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2019-004 The Bullitt County Detention Center Lacks Segregation of Duties Over Receipts and Reconciliations (Continued)

Views of Responsible Officials and Planned Corrective Action:

County Jailer's Response: The jail added Abby Curtsinger to the bank account and she is to review all transactions and sign off on them.

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

BULLITT COUNTY FISCAL COURT

For The Year Ended June 30, 2019

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BULLITT COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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.

A handwritten signature in blue ink, appearing to read "Jay Summers", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Stephen Darp", written over a horizontal line.

County Treasurer

