

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

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
BULLITT COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Bullitt County Fiscal Court for the fiscal year ended June 30, 2016.

We have issued an unmodified opinion, based on our audit, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bullitt County Fiscal Court.

Financial Condition:

The Bullitt County Fiscal Court had total receipts of \$20,314,497 and disbursements of \$21,202,303 in fiscal year 2016. This resulted in a total ending fund balance of \$2,812,260, which is a decrease of \$784,347 from the prior year.

Findings:

- 2016-001 Bullitt County Animal Services Did Not Properly Account For Pet License Receipts
- 2016-002 Bullitt County Animal Services Does Not Make Daily Deposits
- 2016-003 Bullitt County Lacks Segregation Of Duties Over EMS Receipts
- 2016-004 The Bullitt County Detention Center Lacks Segregation Of Duties Over Jail Receipts
- 2016-005 Bullitt County Lacks Segregation Of Duties Over Animal Services Receipts
- 2016-006 Bullitt County Animal Services Does Not Reconcile Receipts To Supporting Documentation
- 2016-007 Bullitt County Animal Services' Timekeeping Controls Were Overridden By Department Management and Need Improvement
- 2016-008 The Bullitt County Fiscal Court Lacks Adequate Controls Over Capital Asset Reporting
- 2016-009 The Bullitt County Fiscal Court Did Not Implement Oversight And Accountability For The Public Properties Corporation Fund

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Melanie Roberts, 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, 2016, and the related notes to the financial statement which collectively comprise the Bullitt County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bullitt County Fiscal Court as of June 30, 2016, 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, 2016, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017, 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:

- 2016-001 Bullitt County Animal Services Did Not Properly Account For Pet License Receipts
- 2016-002 Bullitt County Animal Services Does Not Make Daily Deposits
- 2016-003 Bullitt County Lacks Segregation Of Duties Over EMS Receipts
- 2016-004 The Bullitt County Detention Center Lacks Segregation Of Duties Over Jail Receipts
- 2016-005 Bullitt County Lacks Segregation Of Duties Over Animal Services Receipts
- 2016-006 Bullitt County Animal Services Does Not Reconcile Receipts To Supporting Documentation
- 2016-007 Bullitt County Animal Services' Timekeeping Controls Were Overridden By Department Management and Need Improvement
- 2016-008 The Bullitt County Fiscal Court Lacks Adequate Controls Over Capital Asset Reporting
- 2016-009 The Bullitt County Fiscal Court Did Not Implement Oversight And Accountability For The Public Properties Corporation Fund

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

May 18, 2017

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2016

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. Wooldridge	County Attorney
Martha Knox	Jailer
Kevin Mooney	County Clerk
Paulita A. Keith	Circuit Court Clerk
Dave Greenwell	Former Sheriff
Donnie Tinnell	Sheriff
Bruce Johnson	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Stephanie Kenann Sharp	County Treasurer
Lisa Craddock	Depty Judge/Executive
Keith Griffie	Chief Financial Officer
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, 2016

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

For The Year Ended June 30, 2016

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 9,375,878	\$	\$
Excess Fees	1,018,921		
Licenses and Permits	842,147		
Intergovernmental	759,860	1,775,003	1,314,691
Charges for Services	26,211		199,990
Miscellaneous	117,258	186,262	189,382
Interest	5,190		
Total Receipts	<u>12,145,465</u>	<u>1,961,265</u>	<u>1,704,063</u>
DISBURSEMENTS			
General Government	4,335,735		
Protection to Persons and Property	350,306		2,975,086
General Health and Sanitation	598,133		
Social Services	101,760		
Recreation and Culture	229,562		
Roads		2,383,371	
Debt Service	817,884		
Capital Projects	1,022		
Administration	1,332,311	525,296	925,946
Total Disbursements	<u>7,766,713</u>	<u>2,908,667</u>	<u>3,901,032</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,378,752</u>	<u>(947,402)</u>	<u>(2,196,969)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	103,459		
Transfers From Other Funds		947,402	2,196,969
Transfers To Other Funds	(5,398,428)		
Total Other Adjustments to Cash (Uses)	<u>(5,294,969)</u>	<u>947,402</u>	<u>2,196,969</u>
Net Change in Fund Balance	(916,217)		
Fund Balance - Beginning (Restated)	3,165,715		
Fund Balance - Ending	<u>\$ 2,249,498</u>	<u>\$ 0</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 2,271,863	\$	\$
Payroll Revolving Account Reconciled Balance	103,459		
Less: Outstanding Checks	(125,824)		
Fund Balance - Ending	<u>\$ 2,249,498</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, 2016
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grants Fund	EMS Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$	\$ 274,203
288,760		10,000		241,641
		2,092,871		
		60,829		15,555
308				
<u>289,068</u>		<u>2,163,700</u>		<u>531,399</u>
	208,817	2,568,101	1,728	772,454
89,617				
		1,123,075		283,981
<u>89,617</u>	<u>208,817</u>	<u>3,691,176</u>	<u>1,728</u>	<u>1,056,435</u>
<u>199,451</u>	<u>(208,817)</u>	<u>(1,527,476)</u>	<u>(1,728)</u>	<u>(525,036)</u>
	199,817	1,527,476	1,728	525,036
	<u>199,817</u>	<u>1,527,476</u>	<u>1,728</u>	<u>525,036</u>
199,451	(9,000)			
203,082	9,000		706	
<u>\$ 402,533</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 0</u>
\$ 402,533	\$	\$	\$ 706	\$
<u>\$ 402,533</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 706</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, 2016
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 9,650,081
Excess Fees			1,018,921
Licenses and Permits			842,147
Intergovernmental	1,302,504		5,692,459
Charges for Services			2,319,072
Miscellaneous		217,033	786,319
Interest			5,498
Total Receipts	<u>1,302,504</u>	<u>217,033</u>	<u>20,314,497</u>
DISBURSEMENTS			
General Government			4,335,735
Protection to Persons and Property			6,876,492
General Health and Sanitation			598,133
Social Services			101,760
Recreation and Culture		275,614	505,176
Roads			2,472,988
Debt Service	1,302,504		2,120,388
Capital Projects			1,022
Administration			4,190,609
Total Disbursements	<u>1,302,504</u>	<u>275,614</u>	<u>21,202,303</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(58,581)</u>	<u>(887,806)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			103,459
Transfers From Other Funds			5,398,428
Transfers To Other Funds			(5,398,428)
Total Other Adjustments to Cash (Uses)			<u>103,459</u>
Net Change in Fund Balance		(58,581)	(784,347)
Fund Balance - Beginning		218,104	3,596,607
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 159,523</u>	<u>\$ 2,812,260</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 164,987	\$ 2,840,089
Payroll Revolving Account Reconciled Balance			103,459
Less: Outstanding Checks		(5,464)	(131,288)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 159,523</u>	<u>\$ 2,812,260</u>

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

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TO THE FINANCIAL STATEMENT**

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BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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 grants.

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

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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 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, 2016
(Continued)

Note 2. Deposits and Investments

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, 2016, 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 2016.

	General Fund	Total Transfers In
Road Fund	947,402	\$ 947,402
Jail Fund	2,196,969	2,196,969
Federal Grants Fund	199,817	199,817
EMS Fund	1,527,476	1,527,476
Forest Fire Fund	1,728	1,728
911 Fund	525,036	525,036
Total Transfers Out	<u>\$ 5,398,428</u>	<u>\$ 5,398,428</u>

Reason for transfers:

To move resources from and to the general fund, 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, 2016, was \$44,695.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 5. Accounts Receivable

A. Ambulance Receivables

The Bullitt County Fiscal Court provides ambulance services (EMS fund) for citizens of the county. The ambulance service bills Medicare, Medicaid, health insurance companies and individuals for services provided. Unpaid bills at June 30, 2016, totaled \$6,743,537.

B. Jail Receivables

At June 30, 2016, the Bullitt County Detention Center had receivables in the amount of \$12,035,696.

Note 6. 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, 2016, \$1,302,504 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, 2016, was \$10,962,997. 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 Ended June 30,	Principal	Scheduled Interest & Fees
2017	\$ 797,672	\$ 504,833
2018	837,140	465,365
2019	878,595	423,911
2020	922,022	380,502
2021	967,654	334,851
2022-2026	4,373,692	906,893
2027	2,186,222	18,332
Totals	<u>\$ 10,962,997</u>	<u>\$ 3,034,687</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, 2016
(Continued)

Note 6. 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, 2016, was \$4,995,000. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Scheduled Interest & Fees
2017	\$ 390,000	\$ 90,456
2018	395,000	86,556
2019	400,000	81,619
2020	405,000	75,619
2021	410,000	68,531
2022-2026	2,185,000	215,956
2027-2028	810,000	23,962
Totals	<u>\$ 4,995,000</u>	<u>\$ 642,699</u>

C. Financing Obligation - Refinancing for Courthouse and Land

On May 21, 2015, the fiscal court entered into a financing obligation lease agreement with the 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, 2016, was \$2,315,217. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Scheduled Interest & Fees
2017	\$ 232,326	\$ 78,429
2018	238,796	70,076
2019	245,446	61,492
2020	252,281	52,668
2021	259,307	43,598
2022-2025	1,087,061	78,536
Totals	<u>\$ 2,315,217</u>	<u>\$ 384,799</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Long-term Debt (Continued)

D. 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, 2016, is as follow:

Date Effective	Termination Date	Notional Amount at June 30, 2016	Settlement Amount at June 30, 2016
June 28, 2007	March 1, 2027	\$ 10,962,997	\$ 2,043,886

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, 2016. 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Long-term Debt (Continued)

D. Interest Rate Swap (Continued)

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.

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 5,380,000	\$	\$ 385,000	\$ 4,995,000	\$ 390,000
Financing Obligations	14,264,267		986,053	13,278,214	1,029,998
Total Long-term Debt	<u>\$ 19,644,267</u>	<u>\$ 0</u>	<u>\$ 1,371,053</u>	<u>\$ 18,273,214</u>	<u>\$ 1,419,998</u>

Note 7. 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 8. Commitment Debt

The county has agreed 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 \$56,000 in payments during FY 2016, resulting in a balance on June 30, 2016, of \$582,861.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 9. Employee Retirement System

Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.95 percent.

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 account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one 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 member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$1,166,868, FY 2015 was \$1,150,996, and FY 2016 was \$1,218,289.

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.

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.

CERS also 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:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 9. Employee Retirement System (Continued)

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, such employee's spouse receives 10 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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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 10. Deferred Compensation

On February 24, 2000, 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 10. Deferred Compensation (Continued)

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 11. Insurance

For the fiscal year ended June 30, 2016, 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. Payroll Revolving Account

The reconciled balance of the Payroll Revolving Account as of June 30, 2016, of \$103,549, was added to the general fund cash balance for financing reporting purposes.

Note 13. Prior Period Adjustments

The prior year ending fund balance for the general fund was increased by \$266 due to voiding of prior year outstanding checks.

Note 14. 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.

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,425,000	\$ 9,556,507	\$ 9,375,878	\$ (180,629)
Excess Fees	520,000	831,298	1,018,921	187,623
Licenses and Permits	706,700	706,700	842,147	135,447
Intergovernmental	861,100	946,428	759,860	(186,568)
Charges for Services	20,000	20,000	26,211	6,211
Miscellaneous	272,500	277,822	117,258	(160,564)
Interest	7,500	7,500	5,190	(2,310)
Total Receipts	<u>11,812,800</u>	<u>12,346,255</u>	<u>12,145,465</u>	<u>(200,790)</u>
DISBURSEMENTS				
General Government	3,667,182	4,513,941	4,335,735	178,206
Protection to Persons and Property	388,122	391,922	350,306	41,616
General Health and Sanitation	774,716	816,907	598,133	218,774
Social Services	75,000	101,760	101,760	
Recreation and Culture	291,696	297,585	229,562	68,023
Debt Service	792,165	817,884	817,884	
Capital Projects	2,400	2,400	1,022	1,378
Administration	4,248,492	3,639,129	1,332,311	2,306,818
Total Disbursements	<u>10,239,773</u>	<u>10,581,528</u>	<u>7,766,713</u>	<u>2,814,815</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,573,027</u>	<u>1,764,727</u>	<u>4,378,752</u>	<u>2,614,025</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	<u>(4,967,580)</u>	<u>(4,967,580)</u>	<u>(5,398,428)</u>	<u>(430,848)</u>
Total Other Adjustments to Cash (Uses)	<u>(4,967,580)</u>	<u>(4,967,580)</u>	<u>(5,398,428)</u>	<u>(430,848)</u>
Net Change in Fund Balance	(3,394,553)	(3,202,853)	(1,019,676)	2,183,177
Fund Balance - Beginning	<u>3,394,553</u>	<u>3,394,553</u>	<u>3,165,715</u>	<u>(228,838)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 191,700</u>	<u>\$ 2,146,039</u>	<u>\$ 1,954,339</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,544,447	\$ 1,591,185	\$ 1,775,003	\$ 183,818
Miscellaneous	3,500	119,357	186,262	66,905
Total Receipts	<u>1,547,947</u>	<u>1,710,542</u>	<u>1,961,265</u>	<u>250,723</u>
DISBURSEMENTS				
Roads	2,248,744	2,411,339	2,383,371	27,968
Administration	545,606	545,606	525,296	20,310
Total Disbursements	<u>2,794,350</u>	<u>2,956,945</u>	<u>2,908,667</u>	<u>48,278</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,246,403)</u>	<u>(1,246,403)</u>	<u>(947,402)</u>	<u>299,001</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,246,403	1,246,403	947,402	(299,001)
Total Other Adjustments to Cash (Uses)	<u>1,246,403</u>	<u>1,246,403</u>	<u>947,402</u>	<u>(299,001)</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, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,096,500	\$ 1,096,500	\$ 1,314,691	\$ 218,191
Charges for Services	154,000	154,000	199,990	45,990
Miscellaneous	223,500	223,500	189,382	(34,118)
Total Receipts	<u>1,474,000</u>	<u>1,474,000</u>	<u>1,704,063</u>	<u>230,063</u>
DISBURSEMENTS				
Protection to Persons and Property	2,910,661	2,980,964	2,975,086	5,878
Administration	996,249	925,946	925,946	
Total Disbursements	<u>3,906,910</u>	<u>3,906,910</u>	<u>3,901,032</u>	<u>5,878</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,432,910)</u>	<u>(2,432,910)</u>	<u>(2,196,969)</u>	<u>235,941</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,432,910	2,432,910	2,196,969	(235,941)
Total Other Adjustments to Cash (Uses)	<u>2,432,910</u>	<u>2,432,910</u>	<u>2,196,969</u>	<u>(235,941)</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, 2016
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 270,000	\$ 270,000	\$ 288,760	\$ 18,760
Interest		128	308	180
Total Receipts	270,000	270,128	289,068	18,940
DISBURSEMENTS				
Protection to Persons and Property	7,900	7,900		7,900
Roads	260,000	273,210	89,617	183,593
Total Disbursements	267,900	281,110	89,617	191,493
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	2,100	(10,982)	199,451	210,433
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(192,100)	(192,100)		192,100
Total Other Adjustments to Cash (Uses)	(192,100)	(192,100)		192,100
Net Change in Fund Balance	(190,000)	(203,082)	199,451	402,533
Fund Balance - Beginning	190,000	203,082	203,082	
Fund Balance - Ending	\$ 0	\$ 0	\$ 402,533	\$ 402,533

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 90,000	\$ 90,000	\$	\$ (90,000)
Total Receipts	<u>90,000</u>	<u>90,000</u>		<u>(90,000)</u>
DISBURSEMENTS				
Protection to Persons and Property	50,000	208,817	208,817	
Total Disbursements	<u>50,000</u>	<u>208,817</u>	<u>208,817</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>40,000</u>	<u>(118,817)</u>	<u>(208,817)</u>	<u>(90,000)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			199,817	199,817
Transfers To Other Funds	(40,000)	(40,000)		40,000
Total Other Adjustments to Cash (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>199,817</u>	<u>239,817</u>
Net Change in Fund Balance		(158,817)	(9,000)	149,817
Fund Balance - Beginning		<u>9,000</u>	<u>9,000</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (149,817)</u>	<u>\$ 0</u>	<u>\$ 149,817</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	EMS FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	2,500,000	2,500,000	2,092,871	(407,129)
Miscellaneous	6,000	48,856	60,829	11,973
Total Receipts	<u>2,516,000</u>	<u>2,558,856</u>	<u>2,163,700</u>	<u>(395,156)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,584,490	2,629,846	2,568,101	61,745
Administration	1,137,971	1,135,471	1,123,075	12,396
Total Disbursements	<u>3,722,461</u>	<u>3,765,317</u>	<u>3,691,176</u>	<u>74,141</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,206,461)</u>	<u>(1,206,461)</u>	<u>(1,527,476)</u>	<u>(321,015)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,206,461</u>	<u>1,206,461</u>	<u>1,527,476</u>	<u>321,015</u>
Total Other Adjustments to Cash (Uses)	<u>1,206,461</u>	<u>1,206,461</u>	<u>1,527,476</u>	<u>321,015</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, 2016
(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	600	600		(600)
DISBURSEMENTS				
Protection to Persons and Property	2,000	2,706	1,728	978
Total Disbursements	2,000	2,706	1,728	978
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,400)	(2,106)	(1,728)	378
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,400	1,400	1,728	328
Total Other Adjustments to Cash (Uses)	1,400	1,400	1,728	328
Net Change in Fund Balance		(706)		706
Fund Balance - Beginning		706	706	
Fund Balance - Ending	\$ 0	\$ 0	\$ 706	\$ 706

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 460,000	\$ 460,000	\$ 274,203	\$ (185,797)
Intergovernmental	225,000	225,000	241,641	16,641
Miscellaneous	1,500	17,046	15,555	(1,491)
Total Receipts	<u>686,500</u>	<u>702,046</u>	<u>531,399</u>	<u>(170,647)</u>
DISBURSEMENTS				
Protection to Persons and Property	750,876	772,454	772,454	
Administration	248,130	283,981	283,981	
Total Disbursements	<u>999,006</u>	<u>1,056,435</u>	<u>1,056,435</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(312,506)</u>	<u>(354,389)</u>	<u>(525,036)</u>	<u>(170,647)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	312,506	312,506	525,036	212,530
Total Other Adjustments to Cash (Uses)	<u>312,506</u>	<u>312,506</u>	<u>525,036</u>	<u>212,530</u>
Net Change in Fund Balance		(41,883)		41,883
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (41,883)</u>	<u>\$ 0</u>	<u>\$ 41,883</u>

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

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

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (5,398,428)
To adjust for Payroll Revolving Account	<u>103,459</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ (5,294,969)</u>
Fund Balance - Ending Budgetary Basis	\$ 2,146,039
To adjust for Payroll Revolving Account	<u>103,459</u>
Total Fund Balance - Ending -Regulatory Basis	<u><u>\$ 2,249,498</u></u>

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BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following schedule of capital assets:

	(Restated) Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,077,975	\$	\$	\$ 1,077,975
Land Improvements	255,659			255,659
Buildings and Building Improvements	33,946,692			33,946,692
Machinery and Equipment	5,900,050	330,000		6,230,050
Vehicles	4,016,307	54,900	422,446	3,648,761
Infrastructure	10,087,161	790,290		10,877,451
	<u>\$ 55,283,844</u>	<u>\$ 1,175,190</u>	<u>\$ 422,446</u>	<u>\$ 56,036,588</u>
Total Capital Assets	<u>\$ 55,283,844</u>	<u>\$ 1,175,190</u>	<u>\$ 422,446</u>	<u>\$ 56,036,588</u>

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

June 30, 2016

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	\$ 400	3-12
Infrastructure	\$ 20,000	10-50

Note 2. Beginning Balance Restatement

The beginning balance for FY 2016 for capital assets has been restated by \$1,826,758 due to errors in prior year capital asset reporting:

	<u>FY 2016 Beginning Balance</u>	<u>Restatement Adjustments</u>	<u>FY 2016 Beginning Balance Restated</u>
Land	\$ 1,077,975	\$	\$ 1,077,975
Land Improvements	255,659		255,659
Building and Building Improvements	33,946,692		33,946,692
Machinery and Equipment	2,196,332	3,703,718	5,900,050
Vehicles	5,893,267	(1,876,960)	4,016,307
Infrastructure	10,087,161		10,087,161
Total Capital Asset Balance Restatement	<u>\$ 53,457,086</u>	<u>\$ 1,826,758</u>	<u>\$ 55,283,844</u>

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Melanie Roberts, 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, 2016, 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 18, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses as items 2016-001, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, and 2016-009 that we consider to be significant deficiencies.



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 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 2016-001 and 2016-002.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

May 18, 2017

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2016

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS:

2016-001 Bullitt County Animal Services Did Not Properly Account For Pet License Receipts

Pet licenses are issued by the Bullitt County Judge/Executive's office, the Bullitt County Animal Services Department, and local animal hospitals in the county. Bullitt County Animal Services provides the receipt books for the pet license tags and related receipt information to be noted by all offices collecting these receipts. The receipt books are returned to the Bullitt County Animal Services Department. Members of the Bullitt County Animal Services staff record a pet license receipt on the daily collection form, but do not list a receipt/tag number on the report. They do not provide copies of the pet license receipt forms to the county treasurer with other receipts accounted for on the daily collection report. They do not notate the receipt in the triplicate receipt book as other receipts are accounted for. The auditor noted two pet license fee receipts of \$20, each in March 2016, that were not accounted for on the daily collection reports, or in the deposit tickets.

Bullitt County Animal Services has not implemented a policy to ensure that all receipts are accounted for each day and noted correctly on the daily collection reports. If receipts are not properly accounted for when collected, the risk of reporting a misstatement in receipts due to undetected error or fraud increases. Funds can be received and not deposited and go undetected. KRS 64.840 and regulations promulgated thereunder require pre-numbered, three-part receipt forms to be issued for all funds received. One copy should be provided to the customer, a second copy should be maintained with the daily collection log, and the third copy should be maintained on file in the office. Strong internal controls dictate all funds received should be accounted for on a receipt ticket form. Receipt forms should be batched daily and summarized on a daily collection report. All funds collected should be accounted for and supported by a receipt ticket and included on the daily collection report. We recommend Bullitt County Animal Services prepares a receipt ticket from the pre-numbered three-part receipt book for all pet licenses issued as they do for all other funds received for animal services fees. All receipts should be accounted for and reconciled to the daily collection report. The reconciliation review should be evidenced by initials of the Animal Services Director. We also recommend the Bullitt County Treasurer review all receipt tickets and the daily collection report provided to her to ensure all funds received are accounted for accurately and appropriately. This review can be evidenced by initials on the daily collection report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures will be implemented to correct.

2016-002 Bullitt County Animal Services Does Not Make Daily Deposits

Bullitt County Animal Services does not deposit animal services receipts daily. During cash count procedures at the Bullitt County Animal Services department, the auditor noted change was collected but \$1 in cash was deposited instead. Also, the auditor noted a daily collection report showed \$80 collected, the deposit ticket showed \$80 deposited, but the cash and checks copied by the county treasurer only showed \$60. Discussion with the county treasurer and her assistant indicated the Animal Services Director was told the deposit was short and he went back to the shelter for the \$20 and brought it for deposit. Bullitt County Animal Services has not implemented a policy to ensure deposits are made intact daily. When receipts collected are not deposited intact daily, the risk of misstatement of receipts due to error or fraud increases because receipts could be collected and not deposited. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, deposits should be made intact daily. Additionally, making daily deposits and depositing funds as collected intact minimizes the risk of theft of cash collected. We recommend Bullitt County Animal Services begin making deposits intact daily.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-002 Bullitt County Animal Services Does Not Make Daily Deposits (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures will be implemented to ensure deposits are made daily.

2016-003 Bullitt County Lacks Segregation Of Duties Over EMS Receipts

Bullitt County lacks of segregation of duties over EMS receipts. One EMS employee collects ambulance bill payments, completes the daily collection report, prepares the deposit ticket, and takes the deposit to the bank, with no other employee reviewing these controls. The Bullitt County EMS has not implemented segregation of duties as part of the internal control system. Discussions with the EMS director and office manager indicated the assignment of accounting controls for FY 2017 has changed.

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 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 theft. We recommend Bullitt County EMS segregate the duties over receipt accounting functions or implement compensating controls. The EMS Director who does not have responsibilities related to receipts can perform the following compensating control: review the deposit tickets to ensure the cash and checks agree to the daily collections in the accounting system. The reviews should be documented by initials on the daily collection reports, deposit tickets, and bank statements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures have already been implemented to correct. Due to the exit for FYE 2015 being after FYE 2016 ended, procedures were not implemented until FYE 2017.

2016-004 The Bullitt County Detention Center Lacks Segregation Of Duties Over Jail Receipts

The Bullitt County Detention Center lacks segregation of duties over receipts. The bookkeeper collects receipts, records receipts in the ledger, batches receipts for deposit, prepares the deposit ticket, and reconciles the bank accounts. There are no compensating controls. The jailer has not implemented 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 theft of funds. Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets, inaccurate financial reporting, and theft. We recommend the jailer segregate the duties over receipt accounting functions or implement compensating controls. The jailer or her designee, who does not have responsibilities related to receipts, can perform the following compensating controls: review the deposit ticket to ensure the cash and checks agree to the daily collections in the accounting system and review the bank reconciliation for reasonableness and for any unusual/questionable transactions. The reviews should be documented by initials on the deposit tickets and bank statements.

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: The Jailer randomly verifies accuracy of deposits. Chief Deputy [name redacted] has also been added to do this.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-005 Bullitt County Lacks Segregation Of Duties Over Animal Services Receipts

One animal services employee collects fees from the public, prepares receipt tickets, and completes the daily collection report, with no other staff person reviewing these controls. Bullitt County Animal Services has not implemented 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 theft of funds. Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets, inaccurate financial reporting, and theft. We recommend Bullitt County Animal Services segregate the duties over receipt accounting functions or implement compensating controls. The animal shelter director, who does not have primary responsibilities related to receipts, can perform the following compensating controls: review the receipt tickets and daily collection report to confirm they agree in total, by category and cash and check. The review should be documented by initials on the daily collection report.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures will be put in place for segregation of duties and greater internal control. The Director and Assistant Director will share the responsibilities of reviewing receipt tickets and daily collection reports, and each will document with initials.

2016-006 Bullitt County Animal Services Does Not Reconcile Receipts To Supporting Documentation

The pick-up/adoption forms used by Bullitt County Animal Services to document personal information for who is dropping off, picking up, or adopting an animal held at the shelter were held off-site for FY 2016 at the Animal Services Director's home. Upon review of these documents, it was determined they were not accounted for in numerical order for each day's collections. Also, the number of animals reported by the Animal Services Director as needing to be picked up by the animal crematory vendor did not agree to the number of animals invoiced to the county by the vendor.

The Bullitt County Animal Services has not implemented procedures to batch and account for each pick up form for each day's collections as part of the internal control system. They have not implemented procedures to ensure that the number of animals accounted for each day is reconciled monthly to the invoices from the animal crematory vendor.

When pick up/adoption information forms are not accounted for in numerical order and for each receipt ticket issued, it increases the difficulty in determining an accurate number of animals dropped off, picked up, and adopted each day. Also, when the number of animals to be picked up by the animal crematory vendor is not reconciled to the company's bill before payment, the county could overpay the company in error. Good internal controls dictate that supporting documentation for receipts, in this case, pick up/adoption forms should be accounted for each day with the daily collection report and to assess the status of animals held at the shelter daily. Also, it is necessary to have these procedures in place to assist with accounting for numbers of adoptions, drop offs, and pickups to be reported each month to the fiscal court.

We recommend Bullitt County Animal Services maintain all supporting records for receipts and disbursements at the animal shelter office. We also recommend Bullitt County Animal Services reconcile supporting information forms and account for each pick up, drop off, and adoption daily to agree to the collections received daily, resulting in tallies for status of animals on a monthly basis. We also recommend the monthly totals be reconciled to the animal crematory vendor invoices before payment by the county to ensure the county is billed for the correct number of animals picked up.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-006 Bullitt County Animal Services Does Not Reconcile Receipts To Supporting Documentation
 (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures will be implemented to ensure all supporting records and receipts are maintained for reconciliation. Supporting documentation will accompany each invoice.

2016-007 Bullitt County Animal Services' Timekeeping Controls Were Overridden By Department
 Management and Need Improvement

The Bullitt County Animal Services director asked his employees to clock in and clock out for him by punching his time card for him when he was not present at work, resulting in the timecard showing he worked overtime that he did not actually work. The deputy county judge/executive discussed this issue with the animal services director and noted the issue in his personnel file. This issue appears to have occurred for a few months during FY 2016. It was also noted the Bullitt County Animal Services timeclock located at the shelter is in need of repair as the glass facing of the clock is no longer in place, so there is a risk the hands of the clock could be changed manually.

County payroll staff and the deputy judge/executive were not aware of the timeclock needing repair. The county has control procedures in place that rely on the department director to oversee timekeeping to ensure time reporting is accurate; however, when the department director does not take responsibility to ensure timekeeping is accurate by implementing county procedures, effectively overriding controls, there is significant risk that employees are paid for hours they did not work. Also, when the department director does not report issues with the timeclock unit used at the county department office, this evidences the director is creating and further allowing a tone at the department for lack of care for internal controls, in addition to overriding controls.

Management override of controls can significantly increase the risk of fraud in the department due to theft of cash collections or intentional errors in reporting cash collections. Strong internal controls dictate internal controls are in place to ensure there is very minimal risk for management override of controls over any significant financial function, including time reporting. When management override occurs it is critical the county has a process to document and review what has occurred, and implement procedures to prevent future override of controls.

We recommend the county judge/executive review timecards for animal services employees and the animal services director and sign them for each payroll, or have someone she designates in her office perform this function. We also recommend the fiscal court have the timeclock at the animal services department repaired and have all other timeclocks at county departments checked to ensure they are operating properly.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The shelter timeclock will be replaced and procedures will be implemented to ensure stronger internal controls over timecards.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-008 The Bullitt County Fiscal Court Lacks Adequate Controls Over Capital Asset Reporting

The following deficiencies were noted:

- The county employees preparing and maintaining the county's inventory lists were not aware of the county's capital asset threshold amounts for reporting.
- The capital asset schedule prepared by the county did not include a listing of infrastructure expenditures for road projects.
- The county's vehicle inventory list and equipment list have duplicate items listed.
- The county's inventory list as of June 30, 2015 did not agree to the audited capital asset listing as of June 30, 2015, resulting in a material adjustment to the beginning balance for FY 2016 of \$1,826,758.

County employees are not aware of the capital assets policy for reporting capital assets. Furthermore, the current policy does not require an infrastructure listing to be included with capital assets reporting. It also does not require a reconciliation of all county inventory items to the county's capital asset schedule on a yearly basis. When the capital assets reporting policy is not used and the inventory list is not reconciled to the capital assets list, there is significant risk of errors in reporting capital assets. Also, not maintaining an accurate list of capital assets could result in new assets not being insured and retired assets not being removed from the insurance policy. Good internal controls related to capital asset reporting require that the county be aware of their capital asset thresholds for reporting, and that the county inventory lists be reviewed and updated regularly to ensure there are no duplicate assets, additions and deletions are reported accurately and to the insurance company timely, and that infrastructure expenditures are listed in a way that identifies the specific road impacted.

We recommend the fiscal court use their capital asset policy and implement procedures to ensure the following:

- The county's inventory list is reviewed to ensure assets reported are not duplicated, and that newly added assets and disposed of assets are reported on the list accurately by month, day, and year of addition or deletion, and
- Infrastructure expenditures are reported each fiscal year identifying new road projects, or re-paved road projects, including the amounts expended for each project.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures have already been implemented to ensure asset information is accurately reported and recorded. Infrastructure expenditures are compiled and reported, but the format in which the information is recorded will be adjusted. Due to the exit for FYE 2015 being after FYE 2016 ended, procedures were not implemented until FYE 2017.

2016-009 The Bullitt County Fiscal Court Did Not Implement Oversight And Accountability For The Public Properties Corporation Fund

The county has a Public Properties Corporation fund (PPC) to manage the debt associated with the Judicial Center. The county is financially accountable and legally responsible for this debt. The county did not maintain receipts and disbursements ledgers for the PPC, they did not prepare bank reconciliations, and they did not prepare a financial statement for fiscal year ended June 30, 2016. Because the county did not prepare a financial statement for the PPC fund for June 30, 2016, the auditors recommended an adjustment to intergovernmental receipts and debt service disbursements of \$1,302,504 on the county's financial statement.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENT FINDINGS: (Continued)

2016-009 The Bullitt County Fiscal Court Did Not Implement Oversight And Accountability For The Public Properties Corporation Fund (Continued)

The Kentucky Association of Counties (KACo) is receiving the bank statements for this fund from U.S. Bank; however, the county is not requesting the bank statements from KACo or U.S. Bank in order to prepare ledgers, compile a financial statement, or reconcile the bank account during the year. Because the county is accountable for the debt of the PPC, good internal controls dictate the county should review and account for all receipts and disbursements related to this fund, including maintaining ledgers, reviewing bank reconciliations, and preparing related financial statements for the fund. The county should also be aware that not preparing a financial statement for the PPC results in a significant adjustment to the county's overall financial statement. Good internal controls dictate that financial obligations of the county should be accounted for and reviewed on a regular basis. Receipts and disbursements should be documented, and bank statements should be reviewed and reconciled. Also, good internal controls dictate the county should make an effort to correct errors in financial reporting efficiently and proactively to reduce the number of adjustments to be made to the year-end financial statement. We recommend the county request U.S. Bank send the PPC bank statements to them throughout the year. We also recommend the county prepare and maintain ledgers for receipts and disbursements, complete bank reconciliations monthly on all PPC bank accounts, and compile a year-end financial statement on the PPC fund.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The following actions have been implemented:

- *Contacted [name redacted] at KACo to ensure the county will receive the PPC statements from US Bank. KACo has been receiving them and monitoring the account since inception in 2007.*
- *Created a spreadsheet to show activity and ensure agreement with amortization schedule.*
- *Both the Treasurer and CFO will sign off on the spreadsheet to follow dual control.*
- *Tickler file created to ensure US Bank and KACo send statements by January and June of each year.*

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

BULLITT COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2016**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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 "Melvin Roberts", written over a horizontal line.

County Judge/Executive

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

County Treasurer

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