

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

**For The Fiscal Year Ended
June 30, 2013**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administrative Cabinet
Honorable Melanie J. Roberts, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Bullitt County, Kentucky, for the year ended June 30, 2013.

We engaged Tichenor & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Bullitt County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BULLITT COUNTY FISCAL COURT

June 30, 2013

Tichenor & Associates, LLP has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2013.

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

Financial Condition:

The Bullitt County Fiscal Court had total receipts of \$20,401,882, disbursements of \$19,476,739, and cash balances and cash equivalents of \$4,885,786, an increase from the prior year.

Report Comments:

- 2013-01 The Fiscal Court And Sheriff's Office Should Follow The County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260
- 2013-02 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260
- 2013-03 The Jailer Should Ensure That Sales Profit Is Correctly Transferred From The Jail Inmate Account To The Jail Commissary Account Monthly
- 2013-04 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits

Deposits:

The Fiscal Court deposits were insured and collateralized by bank securities or bonds.

However, the Fiscal Court has not secured a collateral security agreement with their depository institution.

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Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Bullitt County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

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. 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 more fully in Note 1, the financial statement is prepared by Bullitt County, Kentucky 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 Bullitt County, Kentucky as of June 30, 2013, 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 cash balances and cash equivalents of Bullitt County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Bullitt County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Bullitt County, Kentucky. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have 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 basic financial statement. The capital asset schedule 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.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 21, 2014 on our consideration of Bullitt County, Kentucky'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 and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying *comments and recommendations* included herein, which discusses the following report comments:

- 2013-01 The Fiscal Court And Sheriff's Office Should Follow The County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260
- 2013-02 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260
- 2013-03 The Jailer Should Ensure That Sales Profit Is Correctly Transferred From The Jail Inmate Account To The Jail Commissary Account Monthly
- 2013-04 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 21, 2014

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

Melanie J. Roberts	County Judge/Executive
Rick Clements	Magistrate
Betty "Ruthie" Ashbaugh	Magistrate
Joe Laswell	Magistrate
John Bradshaw	Magistrate
Robert Hunt	Magistrate

Other Elected Officials:

Monica Meredith Robinson	County Attorney
Martha Knox	Jailer
Kevin Mooney	County Clerk
Paulita A. Keith	Circuit Court Clerk
Dave Greenwell	Sheriff
Bruce Johnson	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Kenann Sharp	County Treasurer
Michael Phillips	911 Administrator
Jimmy Stivers	Road Supervisor
Lisa Craddock	Deputy Judge/Executive

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

For The Year Ended June 30, 2013

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

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 9,271,194	\$	\$
Excess Fees	70,900		
Licenses and Permits	724,410		
Intergovernmental	903,964	2,293,284	952,207
Charges for Services	24,233		200,780
Miscellaneous	1,439,631	37,113	85,642
Interest	12,796		
Total Receipts	<u>12,447,128</u>	<u>2,330,397</u>	<u>1,238,629</u>
DISBURSEMENTS			
General Government	2,827,299		
Protection to Persons and Property	596,122		2,709,813
General Health and Sanitation	381,559		
Social Services	49,590		
Recreation and Culture	206,364		
Roads		1,847,537	
Debt Service	834,551		
Capital Projects	269		
Administration	2,386,546	424,343	841,558
Total Disbursements	<u>7,282,300</u>	<u>2,271,880</u>	<u>3,551,371</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,164,828</u>	<u>58,517</u>	<u>(2,312,742)</u>
Other Adjustments to Cash (Uses)			
Bond Proceeds			
Premium on Bonds			
Payment to Escrow Agent	(6,105,260)		
Transfers From Other Funds	6,105,260		2,312,742
Transfers To Other Funds	(3,985,643)		
Total Other Adjustments to Cash (Uses)	<u>(3,985,643)</u>		<u>2,312,742</u>
Net Change in Cash Balances and Cash Equivalents	1,179,185	58,517	
Cash Balances and Cash Equivalents - Beginning (Restated)	3,258,752		
Cash Balances and Cash Equivalents - Ending	<u>\$ 4,437,937</u>	<u>\$ 58,517</u>	<u>\$ 0</u>

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

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

Budgeted Funds			
Local Government Economic Assistance Fund	EMS Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$ 276,556
227,053	10,714		240,992
	2,068,724		
	25,477		
507			
<u>227,560</u>	<u>2,104,915</u>	<u> </u>	<u>517,548</u>
	2,350,879	1,728	802,656
481,544			
	912,230		227,871
<u>481,544</u>	<u>3,263,109</u>	<u>1,728</u>	<u>1,030,527</u>
<u>(253,984)</u>	<u>(1,158,194)</u>	<u>(1,728)</u>	<u>(512,979)</u>
	1,158,194	1,728	512,979
	<u>1,158,194</u>	<u>1,728</u>	<u>512,979</u>
(253,984)			
435,602		52	
<u>\$ 181,618</u>	<u>\$ 0</u>	<u>\$ 52</u>	<u>\$ 0</u>

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

BULLITT COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

	Unbudgeted Funds			Total Funds
	General Obligation Bond Fund	Public Properties Fund	Jail Commissary Fund	
RECEIPTS				
Taxes	\$	\$	\$	\$ 9,547,750
Excess Fees				70,900
Licenses and Permits				724,410
Intergovernmental		1,302,505		5,930,719
Charges for Services				2,293,737
Miscellaneous			233,199	1,821,062
Interest	1			13,304
Total Receipts	<u>1</u>	<u>1,302,505</u>	<u>233,199</u>	<u>20,401,882</u>
DISBURSEMENTS				
General Government				2,827,299
Protection to Persons and Property				6,461,198
General Health and Sanitation				381,559
Social Services				49,590
Recreation and Culture			205,075	411,439
Roads				2,329,081
Debt Service		1,302,505		2,137,056
Capital Projects				269
Administration	86,700			4,879,248
Total Disbursements	<u>86,700</u>	<u>1,302,505</u>	<u>205,075</u>	<u>19,476,739</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(86,699)</u>		<u>28,124</u>	<u>925,143</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds	6,170,000			6,170,000
Premium on Bonds	22,354			22,354
Payment to Escrow Agent				(6,105,260)
Transfers From Other Funds				10,090,903
Transfers To Other Funds	(6,105,260)			(10,090,903)
Total Other Adjustments to Cash (Uses)	<u>87,094</u>			<u>87,094</u>
Net Change in Cash Balances and Cash Equivalents	395		28,124	1,012,237
Cash Balances and Cash Equivalents - Beginning (Restated)			179,143	3,873,549
Cash Balances and Cash Equivalents - Ending	<u>\$ 395</u>	<u>\$ 0</u>	<u>\$ 207,267</u>	<u>\$ 4,885,786</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, 2013

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 include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created 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, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents 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 and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The Fiscal Court reports the following budgeted funds:

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

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses 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 government, 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.

Emergency Management Service Fund - The primary purpose of this fund is to account for some emergency medical services of the county. The primary source of receipts for this fund is payments for service, federal, and state grants.

Forest Fire Fund - The primary purpose of this fund is to account for monies received from state forest fire protection. The primary source of receipts for this fund is state funds.

Emergency 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 purpose of this fund is to account for debt service requirements of the General Obligation Refunding Bond, Series 2013. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Public Properties Fund - The primary purpose of this fund is to track the cost related to capital lease obligations of the Fiscal Court's various construction projects. The Department of Local Government does not require the Fiscal Court to report or budget these funds.

Bullitt County Jail Commissary Fund - The commissary operations are authorized pursuant to KRS 441.135(1), which allows the Jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Bullitt County Jail Commissary Fund to be budgeted because the Fiscal Court does not approve the expenses of these funds.

The State Local Finance Officer does not require the General Obligation Bond Fund or the Public Properties 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 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 Bullitt County, Kentucky.

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

F. Deposits and Investments

The government's cash and cash equivalents are 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.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, 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).

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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(4), 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 county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the Fiscal Court did not have a written agreement with the bank.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits were covered by FDIC insurance or properly secured by collateral.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	General Obligation Bond Fund	Total Transfers In
General Fund	\$	\$ 6,105,260	\$ 6,105,260
Jail Fund	2,312,742		2,312,742
EMS Fund	1,158,194		1,158,194
Forest Fire Fund	1,728		1,728
E911 Fund	512,979		512,979
	<hr/>	<hr/>	<hr/>
Total Transfers Out	\$ 3,985,643	\$ 6,105,260	\$ 10,090,903

Reason for transfers:

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

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Trust Funds

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 trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2013 was \$82,620.

FSA/HRA Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses.

Health Reimbursement Account - To account for county contributions to individual health accounts maintained for each employee.

Note 5. Long-term Debt

A. Detention Center

On May 18, 2000, the Fiscal Court entered into a finance lease obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) to borrow \$9,000,000 at a variable interest rate for the construction of the Bullitt County Detention Center. The Fiscal Court paid off this obligation in May 2013 with General Obligation Refunding Bonds, Series 2013.

B. Courthouse

On July 16, 2002, the Fiscal Court entered into a finance lease obligation agreement with the KACoLT to borrow \$4,000,000 for the construction of a new courthouse. The Fiscal Court will pay 20 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2013, was \$2,255,000. The rate in the lease was fixed at 4.20% 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
2014	\$ 205,000	\$ 109,017
2015	215,000	98,507
2016	225,000	87,495
2017	240,000	75,875
2018	250,000	63,606
2019-2022	1,120,000	120,511
Totals	<u>\$ 2,255,000</u>	<u>\$ 555,011</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

C. Judicial Center Refinance

On June 28, 2007 the Fiscal Court entered a financing obligation agreement with KACoLT for the purpose of funding cost over runs 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, 2013, \$1,302,505 was paid directly to KACoLT by the AOC for the Fiscal Court's principal and interest payments under the agreement. The principal outstanding as of June 30, 2013 was \$13,137,379. The rate in the lease was fixed at 4.85% 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
2014	\$ 690,085	\$ 612,420
2015	724,276	578,230
2016	760,022	542,482
2017	797,672	504,833
2018	837,140	465,365
2019-2023	4,849,584	1,662,943
2024-2027	4,478,600	401,546
Totals	<u>\$ 13,137,379</u>	<u>\$ 4,767,819</u>

On June 28, 2007, the Fiscal Court entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% 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 repair 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.

D. Land

On January 18, 2008, the Fiscal Court entered into a finance lease obligation agreement with KACoLT to borrow \$705,000 for the acquisition of land. The Fiscal Court will pay 15 annual installments of varying amounts in accordance with the contract. The principal outstanding as of June 30, 2013, was \$515,000. The rate in the lease was fixed at 4.258% 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:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

D. Land (Continued)

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 45,000	\$ 21,083
2015	45,000	19,208
2016	45,000	17,335
2017	50,000	15,374
2018	50,000	13,291
2019-2023	<u>280,000</u>	<u>33,069</u>
Totals	<u>\$ 515,000</u>	<u>\$ 119,360</u>

E. Vehicles

On February 17, 2012, the Fiscal Court entered into a financing lease agreement with the KACoLT in the amount of \$123,379 for the purchase of five vehicles. The interest rate is 4.30% with principal and interest payments due monthly on the 20th until the termination date of February 20, 2017. The principal balance at June 30, 2013 was \$93,177. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 23,975	\$ 3,538
2015	25,027	2,486
2016	26,125	1,389
2017	<u>18,050</u>	<u>292</u>
Totals	<u>\$ 93,177</u>	<u>\$ 7,705</u>

F. General Obligation Refunding Bonds, Series 2013

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, 2013 was \$6,170,000. Future principal and interest requirements are:

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

F. General Obligation Refunding Bonds, Series 2013 (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 410,000	\$ 51,103
2015	380,000	98,106
2016	385,000	94,306
2017	390,000	90,456
2018	395,000	86,556
2019-2023	2,065,000	338,031
2024-2026	<u>2,145,000</u>	<u>136,556</u>
Totals	<u>\$ 6,170,000</u>	<u>\$ 895,114</u>

G. Interest Rate Swaps

Certain of the Fiscal Court's leases have 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 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 fall due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swaps in effect as of June 30, 2013 are as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2013	Settlement Amount at June 30, 2013
Courthouse	August 1, 2002	January 20, 2022	\$ 2,255,000	\$ 303,718
Judicial Center Refinance	June 28, 2007	March 1, 2027	13,137,380	2,066,489
Land	January 18, 2008	February 1, 2023	515,000	47,770

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, 2013. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

G. Interest Rate Swaps (Continued)

The swaps expose the Fiscal Court to the following risks that could give rise to additional rentals:

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 agreement not be available, the Fiscal Court would be required to make payments at the variable interest rate contained within the lease.

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 the 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 be required 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 swaps. 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 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 a termination payment. The use of the interest rate swap agreement may limit the Fiscal Court's flexibility in managing the lease obligations going forward.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$	\$ 6,170,000	\$	\$ 6,170,000	\$ 410,000
Financing Obligations	23,064,810		7,064,254	16,000,556	964,060
Total Long-term Debt	<u>\$ 23,064,810</u>	<u>\$ 6,170,000</u>	<u>\$ 7,064,254</u>	<u>\$ 22,170,556</u>	<u>\$ 1,374,060</u>

Note 6. Employee Retirement System

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. 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.

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 the plan. The County's contribution rate for nonhazardous employees was 19.55 percent.

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. The County's contribution rate for hazardous employees was 37.60 percent.

The County's contribution for FY 2011 was \$1,557,528, FY 2012 was \$1,889,062, and FY 2013 was \$1,907,712.

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 (members 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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Employee Retirement System (Continued)

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:

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.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen 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 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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

Note 7. 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 permits 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 Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 8. Insurance

For the fiscal year ended June 30, 2013, Bullitt County 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 a 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 9. Change in Basis of Accounting and Prior Period Adjustments

Bullitt County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The net effect was a decrease to the beginning balance of the General Fund by \$435,654 and an increase to the balance of the LGEA Fund and Forest Fund by \$435,602 and \$52, respectively on the *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents-Regulatory Basis*.

Note 10. Prior Period Adjustments

The beginning fund balance of the General Fund was decreased by \$1,794 to restate the fund balance for a prior period adjustment and unknown difference.

Note 11. Flexible Spending Account/Health Savings Account

The Bullitt Fiscal Court established a flexible spending account in early 2000s to provide employees an additional health benefit. The Fiscal Court has contracted with Humana, a third-party administrator, to administer the plan. The plan allows employees to set aside funds for medical, dental, and vision and dependent care expenses. Employees contribute pre-tax funds through payroll deduction. Flexible savings account funds are 100% available as soon as the employee is eligible.

The Bullitt Fiscal Court established a health savings account in early 2000s to provide employees an additional health benefit. The funds are paid directly to employee's accounts from the Fiscal Court. The plan allows employees to set aside funds for medical, dental, and vision expenses. Employees contribute pre-tax funds through payroll deduction. Health savings account funds must be accumulated before they can be used.

Note 12. Contingencies

There are lawsuits and claims pending against the Fiscal Court which may arise during the normal course of business. The Fiscal Court is a defendant in lawsuits and claims arising from, among other things, wrongful termination, wrongful arrest, personal injury, and violations of civil rights. Although the aggregate amount asserted in such lawsuits and claims could be potentially significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the financial position of the Fiscal Court.

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,025,000	\$ 8,053,405	\$ 9,271,194	\$ 1,217,789
Excess Fees	420,000	469,644	70,900	(398,744)
Licenses and Permits	466,900	466,900	724,410	257,510
Intergovernmental	1,582,200	1,582,200	903,964	(678,236)
Charges for Services	18,000	18,000	24,233	6,233
Miscellaneous	352,400	996,618	1,439,631	443,013
Interest	20,000	20,000	12,796	(7,204)
Total Receipts	10,884,500	11,606,767	12,447,128	840,361
DISBURSEMENTS				
General Government	2,832,586	2,827,299	2,827,299	
Protection to Persons and Property	884,590	596,122	596,122	
General Health and Sanitation	410,016	381,559	381,559	
Social Services	59,000	49,590	49,590	
Recreation and Culture	776,406	206,364	206,364	
Bus Service	30,000			
Debt Service	889,485	834,551	834,551	
Capital Projects	5,400	269	269	
Administration	3,392,776	5,623,771	2,386,546	3,237,225
Total Disbursements	9,280,259	10,519,525	7,282,300	3,237,225
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,604,241	1,087,242	5,164,828	4,077,586
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	(3,904,241)	(3,904,241)	(3,985,643)	(81,402)
Total Other Adjustments to Cash (Uses)	(3,904,241)	(3,904,241)	(3,985,643)	(81,402)
Net Change in Cash Balances and Cash Equivalents	(2,300,000)	(2,816,999)	1,179,185	3,996,184
Cash Balances and Cash Equivalents - Beginning (Restated)	2,300,000	3,258,818	3,258,752	(66)
Cash Balances and Cash Equivalents - Ending	\$ 0	\$ 441,819	\$ 4,437,937	\$ 3,996,118

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,549,700	\$ 1,828,200	\$ 2,293,284	\$ 465,084
Miscellaneous	3,500	3,500	37,113	33,613
Interest				
Total Receipts	<u>1,553,200</u>	<u>1,831,700</u>	<u>2,330,397</u>	<u>498,697</u>
DISBURSEMENTS				
Roads	1,631,529	1,903,412	1,847,537	55,875
Administration	459,505	466,122	424,343	41,779
Total Disbursements	<u>2,091,034</u>	<u>2,369,534</u>	<u>2,271,880</u>	<u>97,654</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(537,834)</u>	<u>(537,834)</u>	<u>58,517</u>	<u>596,351</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	537,834	537,834		(537,834)
Total Other Adjustments to Cash (Uses)	<u>537,834</u>	<u>537,834</u>		<u>(537,834)</u>
Net Change in Cash Balances and Cash Equivalents			58,517	58,517
Cash Balances and Cash Equivalents - Beginning				
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,517</u>	<u>\$ 58,517</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,031,000	\$ 1,052,970	\$ 952,207	\$ (100,763)
Charges for Services	200,000	225,600	200,780	(24,820)
Miscellaneous	59,000	59,000	85,642	26,642
Total Receipts	<u>1,290,000</u>	<u>1,337,570</u>	<u>1,238,629</u>	<u>(98,941)</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	2,646,826	2,709,813	2,709,813	
	674,182	841,558	841,558	
Total Disbursements	<u>3,321,008</u>	<u>3,551,371</u>	<u>3,551,371</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,031,008)</u>	<u>(2,213,801)</u>	<u>(2,312,742)</u>	<u>(98,941)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,031,008</u>	<u>2,031,008</u>	<u>2,312,742</u>	<u>281,734</u>
Total Other Adjustments to Cash (Uses)	<u>2,031,008</u>	<u>2,031,008</u>	<u>2,312,742</u>	<u>281,734</u>
Net Change in Cash Balances and Cash Equivalents		(182,793)		182,793
Cash Balances and Cash Equivalents - Beginning				
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (182,793)</u>	<u>\$ 0</u>	<u>\$ 182,793</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$	\$	\$	\$
Intergovernmental	265,000	265,000	227,053	(37,947)
Interest			507	507
Total Receipts	265,000	265,000	227,560	(37,440)
DISBURSEMENTS				
Protection to Persons and Property	7,900			
Roads	260,000	481,544	481,544	
Total Disbursements	267,900	481,544	481,544	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,900)	(216,544)	(253,984)	(37,440)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	(277,100)	(277,100)		277,100
Total Other Adjustments to Cash (Uses)	(277,100)	(277,100)		277,100
Net Change in Cash Balances and Cash Equivalents	(280,000)	(493,644)	(253,984)	239,660
Cash Balances and Cash Equivalents - Beginning	280,000	280,000	435,602	155,602
Cash Balances and Cash Equivalents - Ending	\$ 0	\$ (213,644)	\$ 181,618	\$ 395,262

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,714	\$ 714
Charges for Services	2,225,000	2,225,000	2,068,724	(156,276)
Miscellaneous	5,000	5,000	25,477	20,477
Total Receipts	<u>2,240,000</u>	<u>2,240,000</u>	<u>2,104,915</u>	<u>(135,085)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,463,735	2,466,501	2,350,879	115,622
Administration	920,000	920,966	912,230	8,736
Total Disbursements	<u>3,383,735</u>	<u>3,387,467</u>	<u>3,263,109</u>	<u>124,358</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,143,735)</u>	<u>(1,147,467)</u>	<u>(1,158,194)</u>	<u>(10,727)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,143,735	1,143,735	1,158,194	14,459
Total Other Adjustments to Cash (Uses)	<u>1,143,735</u>	<u>1,143,735</u>	<u>1,158,194</u>	<u>14,459</u>
Net Change in Cash Balances and Cash Equivalents		(3,732)		3,732
Cash Balances and Cash Equivalents - Beginning				
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (3,732)</u>	<u>\$ 0</u>	<u>\$ 3,732</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(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	1,000	1,000		(1,000)
Total Receipts	<u>1,200</u>	<u>1,200</u>		<u>(1,200)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,000	2,000	1,728	272
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>(800)</u>	<u>(800)</u>	<u>(1,728)</u>	<u>(928)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	800	800	1,728	928
Total Other Adjustments to Cash (Uses)	<u>800</u>	<u>800</u>	<u>1,728</u>	<u>928</u>
Net Change in Cash Balances and Cash Equivalents				
Cash Balances and Cash Equivalents - Beginning			52	52
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52</u>	<u>\$ 52</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 300,000	\$ 300,000	\$ 276,556	\$ (23,444)
Intergovernmental	225,000	225,000	240,992	15,992
Miscellaneous	1,500	1,500		(1,500)
Total Receipts	<u>526,500</u>	<u>526,500</u>	<u>517,548</u>	<u>(8,952)</u>
DISBURSEMENTS				
Protection to Persons and Property	788,964	802,656	802,656	
Administration	205,500	227,871	227,871	
Total Disbursements	<u>994,464</u>	<u>1,030,527</u>	<u>1,030,527</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(467,964)</u>	<u>(504,027)</u>	<u>(512,979)</u>	<u>(8,952)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	467,964	467,964	512,979	45,015
Total Other Adjustments to Cash (Uses)	<u>467,964</u>	<u>467,964</u>	<u>512,979</u>	<u>45,015</u>
Net Change in Cash Balances and Cash Equivalents		(36,063)		36,063
Cash Balances and Cash Equivalents - Beginning				
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (36,063)</u>	<u>\$ 0</u>	<u>\$ 36,063</u>

BULLITT COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 Expenditure Items to Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis

Debt service disbursements are not reported on Budgetary Comparison Schedules for the Jail Fund, EMS Fund, and E911 Fund due to the Fiscal Court budgeting them in Protection To Persons And Property line item.

BULLITT COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

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 Building Improvements	33,946,692			33,946,692
Machinery and Equipment	1,911,348	204,956		2,116,304
Vehicles	5,022,890	325,654		5,348,544
Infrastructure	7,968,536	1,081,880		9,050,416
Total Capital Assets	<u>\$ 50,183,100</u>	<u>\$ 1,612,490</u>	<u>\$ 0</u>	<u>\$51,795,590</u>

BULLITT COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings and building improvements, machinery and equipment, vehicles, 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.

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

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

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The Honorable Melanie J. 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 Cash Balances and Cash Equivalents - Regulatory Basis of the Bullitt County Fiscal Court for the fiscal year ended June 30, 2013, and the related notes to the financial statement and have issued our report thereon dated February 21, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing out opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of 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 comments and recommendations as items 2013-01, 2013-02, 2013-03, and 2013-04.

County Judge's/County Jailer's Response to Findings

The Bullitt County Judge's and Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The County Judge's and Jailer'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,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 21, 2014

**BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2013

BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2013

STATE LAWS AND REGULATIONS:

2013-01 The Fiscal Court And Sheriff's Office Should Follow The County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260

CONDITION:

During our audit, we noted that the Fiscal Court and Sheriff's Office purchased vehicles from a dealership that does not have a current state price contract. Therefore, the vehicles should have been bid according to the County's required bid procedures.

EFFECT:

The Fiscal Court is not following KRS requirements on bidding procedures, therefore, there is a possibility that the Fiscal Court is paying more for assets than if it was bid out.

CAUSE:

The Fiscal Court does not have adequate policies and procedures in place to review purchasing requirements before purchases are made.

CRITERIA:

KRS 424.260(1) requires that "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

RECOMMENDATION:

We recommend that the Fiscal Court follow its required bid procedures and document the bid process and maintained on file.

County Judge/Executive Melanie Robert's Response:

Fiscal Court will bid all purchases over the threshold amount of \$20,000. However, we are concerned that this issue has never been brought to our attention since we have always followed this procedure, but have never received a comment in any audit report.

2013-02 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000 Per KRS 424.260

CONDITION:

During our audit, we became aware that the Jailer purchased a 2014 Ford Explorer for \$26,400 and a 2013 Ford Club Wagon E350 for \$25,605 using Jail Commissary funds. These were purchased from a dealership that does not have a current state price contract. Therefore, the Jailer should have obtained bids according to the County's bid procedures. Additionally, we noted that neither of the sales agreements reviewed were signed.

BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)

STATE LAWS AND REGULATIONS:

2013-02 The Jailer Should Follow County's Required Bid Procedures For Purchases In Excess Of \$20,000
Per KRS 424.260 (Continued)

EFFECT:

The Jailer is not following KRS requirements on bidding procedures, therefore, there is a possibility that the Jailer is paying more for assets than if it was bid out.

CAUSE:

The Jailer does not have adequate policies and procedures in place to review purchasing requirements before purchases are made.

CRITERIA:

KRS 424.260(1) requires that "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

RECOMMENDATION:

We recommend that the Jailer follow the County's bid procedures and the Jailer should review sales agreements for accuracy and sign the agreements. The bid process should be properly documented and maintained on file.

County Jailer Martha Knox's Response:

All future purchases will be handled following the guidelines outlined in KRS 424.260(1) along with County's bid procedures. We will also have complete documentation. We were unaware that the dealership did not have a state price contract, even though we were given state pricing. This particular dealer has been used for years for purchasing other county vehicles. We would like it noted that the two vehicles discussed here were purchased in the current fiscal year.

2013-03 The Jailer Should Ensure That Sales Profit Is Correctly Transferred From The Jail Inmate Account
To The Jail Commissary Account Monthly

CONDITION:

During our audit, we determined that the jail inmate account was overstated by \$84,644 due to Pak sales profit and other liabilities not being transferred to the jail commissary account (profit account) causing it to be understated by the same amount. Additionally, there is an unknown amount of profit from previous years that has not been transferred over from the jail inmate account to the jail commissary account (profit account).

**BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)**

STATE LAWS AND REGULATIONS :

2013-03 The Jailer Should Ensure That Sales Profit Is Correctly Transferred From The Jail Inmate Account To The Jail Commissary Account Monthly (Continued)

EFFECT:

The Jailer is not transferring the profit earned from commissary sales over into the jail commissary account (profit account), therefore, overstating the jail inmate account and understating the jail commissary account (profit account).

CAUSE:

The Jailer uses a software system to account for the commissary sales that is tied into the jail inmate account instead of commissary funds flowing thru the jail commissary account (profit account).

CRITERIA:

KRS 441.135(2) requires that "...The Jailer shall keep books of accounts of all receipts and disbursements from the canteen..."

RECOMMENDATION:

We recommend that the Jailer ensure that the Pak sales profit is transferred from the jail inmate account to the jail commissary account (profit account) monthly. We also recommend that the Jailer review previous year's records to determine the unknown amount that need to be transferred from the jail inmate account to the jail commissary account (profit account).

County Jailer Martha Knox's Response:

It was determined that the procedures used previously were not totally correct. Based on information provided by the auditors, new procedures have been implemented and will be performed monthly. Our banking system has been contacted for proper direction of transferring money.

2013-04 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits

CONDITION:

During our audit, we noted that the Fiscal Court did not have a written collateral security agreement with PBI Bank. The Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC).

EFFECT:

The Fiscal Court is not following KRS requirements on having a written agreement between the Fiscal Court and PBI Bank, signed by both parties, securing the Fiscal Court's interest in the collateral.

CAUSE:

The Fiscal Court does not have adequate policies and procedures in place to ensure that a written collateral agreement has been obtained with PBI Bank.

**BULLITT COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2013
(Continued)**

STATE LAWS AND REGULATIONS :

2013-04 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits
(Continued)

CRITERIA:

KRS 66.480(1)(d) and KRS 41.240(4) require that “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 any one time.”

“According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (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, (c) an official record of the depository institution.”

RECOMMENDATION:

We recommend the Fiscal Court enter into a written agreement with PBI Bank to secure the Fiscal Court’s interest in the collateral pledged or provided by PBI Bank.

County Judge/Executive Melanie Robert’s Response:

Bullitt County has entered into a Security Collateral Agreement with PBI Bank. This issue has been reconciled.

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

BULLITT COUNTY FISCAL COURT

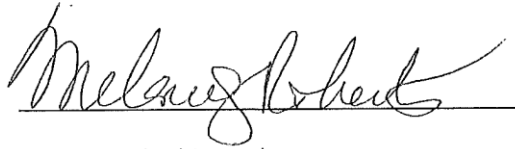
**For The Fiscal Year Ended
June 30, 2013**

Appendix A

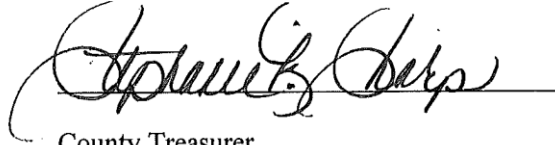
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

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 cursive script, appearing to read "Melany Robert", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Stephen G. Garp", written over a horizontal line.

County Treasurer

