

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

**For The Fiscal Year Ended  
June 30, 2015**



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

**June 30, 2015**

The Auditor of Public Accounts has completed the audit of the Bullitt County Fiscal Court for fiscal year ended June 30, 2015.

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

**Financial Condition:**

The Bullitt County Fiscal Court had total receipts of \$20,530,661 and disbursements of \$21,104,264 in fiscal year 2015. This resulted in a total ending fund balance of \$3,596,341, which is a decrease of \$273,603 from the prior year.

**Report Comments:**

- 2015-001 The Bullitt County Emergency Medical Services Department Lacks Strong Controls Over Receipts
- 2015-002 The Bullitt County Emergency Medical Services Department Has A Lack Of Segregation Of Duties Over Receipts
- 2015-003 The Bullitt County Jail Has A Lack of Segregation Of Duties Over Receipts

**Deposits:**

The fiscal court 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 Bullitt County Fiscal Court, for the year ended June 30, 2015, 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 more fully 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, 2015, 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, 2015, 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 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 July 12, 2016 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 comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Bullitt County Emergency Medical Services Department Lacks Strong Controls Over Receipts
- 2015-002 The Bullitt County Emergency Medical Services Department Has A Lack Of Segregation Of Duties Over Receipts
- 2015-003 The Bullitt County Jail Has A Lack Of Segregation Of Duties Over Receipts

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 12, 2016

BULLITT COUNTY OFFICIALS

For The Year Ended June 30, 2015

**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	Sheriff
Bruce Johnson	Property Valuation Administrator
Dave Billings	Coroner

**Appointed Personnel:**

Kenann Sharp	County Treasurer
Michael Phillips	911 Coordinator
Hyte Rouse	Road Supervisor
Lisa Craddock	Deputy Judge/Executive

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

**For The Year Ended June 30, 2015**

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

**For The Year Ended June 30, 2015**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 9,272,135	\$	\$
Excess Fees	511,226		
Licenses and Permits	635,632		
Intergovernmental	1,146,222	1,799,449	1,040,496
Charges for Services	23,124		188,859
Miscellaneous	230,948	2,226	254,758
Interest	5,957		
Total Receipts	<u>11,825,244</u>	<u>1,801,675</u>	<u>1,484,113</u>
<b>DISBURSEMENTS</b>			
General Government	3,947,055		
Protection to Persons and Property	367,761		2,839,956
General Health and Sanitation	559,866		
Social Services	97,331		
Recreation and Culture	621,795		
Roads		2,029,491	
Debt Service	1,165,224		
Capital Projects	1,061		
Administration	1,246,121	495,928	930,648
Total Disbursements	<u>8,006,214</u>	<u>2,525,419</u>	<u>3,770,604</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,819,030</u>	<u>(723,744)</u>	<u>(2,286,491)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds	2,560,000		
Payoff of Financing Obligations	(2,260,000)		
Transfers From Other Funds		683,258	2,286,491
Transfers To Other Funds	(4,455,462)		
Total Other Adjustments to Cash (Uses)	<u>(4,155,462)</u>	<u>683,258</u>	<u>2,286,491</u>
Net Change in Fund Balance	(336,432)	(40,486)	
Fund Balance - Beginning (Restated)	3,501,881	40,486	
Fund Balance - Ending	<u>\$ 3,165,449</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 3,261,714	\$	\$ 15
Plus: Deposits In Transit			
Less: Outstanding Checks	(96,265)		(15)
Fund Balance - Ending	<u>\$ 3,165,449</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, 2015**  
**(Continued)**

<b>Budgeted Funds</b>				
<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>EMS Fund</b>	<b>Forest Fire Fund</b>	<b>911 Fund</b>
\$	\$	\$	\$	\$ 272,133
329,570		10,000		239,675
		2,998,793	383	
		16,661		19,229
290				
<u>329,860</u>		<u>3,025,454</u>	<u>383</u>	<u>531,037</u>
		2,830,329	1,728	785,442
225,270				
		1,143,750		280,955
<u>225,270</u>		<u>3,974,079</u>	<u>1,728</u>	<u>1,066,397</u>
104,590		(948,625)	(1,345)	(535,360)
		948,625	1,728	535,360
		<u>948,625</u>	<u>1,728</u>	<u>535,360</u>
104,590			383	
98,492	9,000		323	
<u>\$ 203,082</u>	<u>\$ 9,000</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 0</u>
\$ 203,082	\$ 9,000	\$ 5,437	\$ 706	\$ 978
		(5,437)		(978)
<u>\$ 203,082</u>	<u>\$ 9,000</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, 2015**  
**(Continued)**

	<u>Unbudgeted Funds</u>		
	<u>Public Properties Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 9,544,268
Excess Fees			511,226
Licenses and Permits			635,632
Intergovernmental	1,302,506		5,867,918
Charges for Services			3,211,159
Miscellaneous		230,389	754,211
Interest			6,247
Total Receipts	<u>1,302,506</u>	<u>230,389</u>	<u>20,530,661</u>
<b>DISBURSEMENTS</b>			
General Government			3,947,055
Protection to Persons and Property			6,825,216
General Health and Sanitation			559,866
Social Services			97,331
Recreation and Culture		232,047	853,842
Roads			2,029,491
Debt Service	1,302,506		2,467,730
Capital Projects			226,331
Administration			4,097,402
Total Disbursements	<u>1,302,506</u>	<u>232,047</u>	<u>21,104,264</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(1,658)</u>	<u>(573,603)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Financing Obligation Proceeds			2,560,000
Payoff of Financing Obligations			(2,260,000)
Transfers From Other Funds			4,455,462
Transfers To Other Funds			(4,455,462)
Total Other Adjustments to Cash (Uses)			<u>300,000</u>
Net Change in Fund Balance		(1,658)	(273,603)
Fund Balance - Beginning		219,762	3,869,944
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 218,104</u>	<u>\$ 3,596,341</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$	\$ 206,364	\$ 3,687,296
Plus: Deposits In Transit		18,770	18,770
Less Outstanding Checks		(7,030)	(109,725)
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 218,104</u>	<u>\$ 3,596,341</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, 2015**

**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 Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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



**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(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 sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal 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.

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

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 fund is ambulance service fees.

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

911 Fund - The primary purpose of this fund is to account for the dispatch expense 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 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), 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 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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

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

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Public Properties 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 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.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

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

**F. Deposits and Investments (Continued)**

KRS 66.480 authorizes the county to invest in the following 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.

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the 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 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Total Transfers In
Road Fund	\$ 683,258	\$ 683,258
Jail Fund	2,286,491	2,286,491
EMS Fund	948,625	948,625
Forest Fire Fund	1,728	1,728
911 Fund	535,360	535,360
Total Transfers Out	<u>\$ 4,455,462</u>	<u>\$ 4,455,462</u>

Reason for transfers:

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

**Note 4. Agency 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 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, 2015 was \$3,178.

**Note 5. Accounts Receivable**

The Bullitt County Fiscal Court provides ambulance services (EMS Fund) for citizens in the county. The ambulance service bills Medicare, Medicaid, health insurance companies and individuals for services provided. Unpaid bills at June 30, 2015 totaled \$7,322,119.

**Note 6. Long-term Debt**

**A. Financing Obligation-Court House**

On July 16, 2002, the fiscal court entered into a finance lease obligation agreement with the Kentucky Associations of Counties Leasing Trust (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 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. This financing obligation was paid off in May 2015, with a refinancing (see Note 6F).

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. Financing Obligation-Judicial Center**

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, 2015, \$1,302,506 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, 2015 was \$11,723,019. 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
2016	\$ 760,022	\$ 542,482
2017	797,672	504,833
2018	837,140	465,365
2019	878,595	423,911
2020	922,002	380,502
2021-2025	5,341,346	1,171,180
2026-2027	2,186,242	88,896
Totals	<u>\$ 11,723,019</u>	<u>\$ 3,577,169</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 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.

**C. Financing Obligation-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 rate in the lease was fixed at 4.258 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. This financing obligation was paid off in May 2015, with a refinancing (see Note 6F).

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Financing Obligation-Vehicles**

On February 17, 2012, the fiscal court entered into a financing lease agreement with KACoLT in the amount of \$123,379 for the purchase of five vehicles. The interest rate is 4.30 percent with principal and interest payments due monthly on the 20<sup>th</sup> until the termination date of February 20, 2017. This financing obligation was paid off in May 2015.

**E. 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, 2015 was \$5,380,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 385,000	\$ 94,306
2017	390,000	90,456
2018	395,000	86,556
2019	400,000	81,619
2020	405,000	75,619
2021-2025	2,140,000	258,755
2026-2028	1,265,000	54,928
Totals	<u>\$ 5,380,000</u>	<u>\$ 742,239</u>

**F. 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 18, 2008 for \$705,000. The rate in the agreement was fixed at 3.55% with principal and interest payments due monthly on the 20th until the termination date of May 20, 2025. The principal balance at June 30, 2015 was \$2,541,248. Future principal and interest requirements are:

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

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

Fiscal Year Ended June 30	Principal	Scheduled Interest & Fees
2016	\$ 226,031	\$ 86,554
2017	232,326	78,429
2018	238,796	70,076
2019	245,646	61,292
2020	252,281	52,668
2021-2025	1,346,168	122,333
Totals	<u>\$ 2,541,248</u>	<u>\$ 471,352</u>

**G. 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 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 swap in effect as of June 30, 2015 is as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2015	Settlement Amount at June 30, 2015
Judicial Center Refinance	June 28, 2007	March 1, 2027	\$ 11,723,019	\$ 1,892,384

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, 2014. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**G. Interest Rate Swap (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 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, 2015**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

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

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 5,760,000	\$	\$ 380,000	\$ 5,380,000	\$ 385,000
Financing Obligations	15,036,495	2,560,000	3,332,228	14,264,267	986,053
Total Long-term Debt	<u>\$ 20,796,495</u>	<u>\$ 2,560,000</u>	<u>\$ 3,712,228</u>	<u>\$ 19,644,267</u>	<u>\$ 1,371,053</u>

**Note 7. Commitments and Contingencies**

The fiscal court 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. Employee Retirement System**

**A. 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 17.67 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 34.31 percent.

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

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

**A. Plan Description (Continued)**

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own 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 2013 was \$1,907,712, FY 2014 was \$1,166,868, and FY 2015 was \$1,150,996.

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 when 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:

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

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

**BULLITT COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

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

**A. Plan Description (Continued)**

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 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.

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.

**B. Net Pension Liability**

As promulgated by GASB Statement No. 68, the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Bullitt County's proportionate share of the net pension liability as of June 30, 2015 is:

	June 30, 2014	June 30, 2015
Hazardous	\$ 2,068,000	\$ 1,852,000
Non-Hazardous	7,852,000	6,939,000
Totals	<u>\$ 9,920,000</u>	<u>\$ 8,791,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publicly available on the website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or can be obtained as described in the paragraph above.

**Note 9. 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.

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, 2015**  
**(Continued)**

**Note 10. Insurance**

For the fiscal year ended June 30, 2015, 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 11. Subsequent Events**

The Bullitt County Fiscal Court 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 Bullitt County Sheriff, at zero rate of interest.

**Note 12. Prior Period Adjustments**

The prior year ending fund balance for the general fund was increased by \$878 due to prior year outstanding checks being voided.

**Note 13. Flexible Spending Account**

The Bullitt County Fiscal Court established a flexible spending account in early 2000's to provide employees an 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 for medical, dental, and vision and dependent care expenses. Employees contribute pre-tax 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, 2015**



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

**For The Year Ended June 30, 2015**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 8,900,000	\$ 9,293,899	\$ 9,272,135	\$ (21,764)
Excess Fees	500,000	564,026	511,226	(52,800)
Licenses and Permits	581,700	604,537	635,632	31,095
Intergovernmental	1,064,100	1,149,846	1,146,222	(3,624)
Charges for Services	20,000	20,504	23,124	2,620
Miscellaneous	314,500	398,372	230,948	(167,424)
Interest	10,000	10,000	5,957	(4,043)
Total Receipts	<u>11,390,300</u>	<u>12,041,184</u>	<u>11,825,244</u>	<u>(215,940)</u>
<b>DISBURSEMENTS</b>				
General Government	3,493,442	3,577,962	3,947,055	(369,093)
Protection to Persons and Property	403,746	405,746	367,761	37,985
General Health and Sanitation	815,406	810,415	559,866	250,549
Social Services	75,000	100,556	97,331	3,225
Recreation and Culture	877,406	877,406	621,795	255,611
Debt Service	883,334	902,086	1,165,224	(263,138)
Capital Projects	2,400	2,400	1,061	1,339
Administration	3,565,743	4,052,090	1,246,121	2,805,969
Total Disbursements	<u>10,116,477</u>	<u>10,728,661</u>	<u>8,006,214</u>	<u>2,722,447</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,273,823</u>	<u>1,312,523</u>	<u>3,819,030</u>	<u>2,506,507</u>
<b>Other Adjustments to Cash (Uses)</b>				
Financing Obligation Proceeds			2,560,000	2,560,000
Payoff of Financing Obligations			(2,260,000)	(2,260,000)
Transfers To Other Funds	(5,273,823)	(5,273,823)	(4,455,462)	818,361
Total Other Adjustments to Cash (Uses)	<u>(5,273,823)</u>	<u>(5,273,823)</u>	<u>(4,155,462)</u>	<u>1,118,361</u>
Net Change in Fund Balance	(4,000,000)	(3,961,300)	(336,432)	3,624,868
Fund Balance Beginning (Restated)	<u>4,000,000</u>	<u>4,000,000</u>	<u>3,501,881</u>	<u>(498,119)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 38,700</u>	<u>\$ 3,165,449</u>	<u>\$ 3,126,749</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,803,868	\$ 1,811,530	\$ 1,799,449	\$ (12,081)
Miscellaneous	3,500	4,070	2,226	(1,844)
Total Receipts	<u>1,807,368</u>	<u>1,815,600</u>	<u>1,801,675</u>	<u>(13,925)</u>
<b>DISBURSEMENTS</b>				
Roads	2,113,544	2,254,261	2,029,491	224,770
Administration	529,800	529,800	495,928	33,872
Total Disbursements	<u>2,643,344</u>	<u>2,784,061</u>	<u>2,525,419</u>	<u>258,642</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(835,976)</u>	<u>(968,461)</u>	<u>(723,744)</u>	<u>244,717</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>835,976</u>	<u>835,976</u>	<u>683,258</u>	<u>(152,718)</u>
Total Other Adjustments to Cash (Uses)	<u>835,976</u>	<u>835,976</u>	<u>683,258</u>	<u>(152,718)</u>
Net Change in Fund Balance		(132,485)	(40,486)	91,999
Fund Balance - Beginning		<u>40,485</u>	<u>40,486</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (92,000)</u>	<u>\$ 0</u>	<u>\$ 92,000</u>



**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,079,500	\$ 1,197,178	\$ 1,040,496	\$ (156,682)
Charges for Services	151,500	158,483	188,859	30,376
Miscellaneous	206,000	241,322	254,758	13,436
Total Receipts	<u>1,437,000</u>	<u>1,596,983</u>	<u>1,484,113</u>	<u>(112,870)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,958,026	3,063,990	2,839,956	224,034
Administration	899,000	988,019	930,648	57,371
Total Disbursements	<u>3,857,026</u>	<u>4,052,009</u>	<u>3,770,604</u>	<u>281,405</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,420,026)</u>	<u>(2,455,026)</u>	<u>(2,286,491)</u>	<u>168,535</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>2,420,026</u>	<u>2,420,026</u>	<u>2,286,491</u>	<u>(133,535)</u>
Total Other Adjustments to Cash (Uses)	<u>2,420,026</u>	<u>2,420,026</u>	<u>2,286,491</u>	<u>(133,535)</u>
Net Change in Fund Balance		(35,000)		35,000
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (35,000)</u>	<u>\$ 0</u>	<u>\$ 35,000</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 250,000	\$ 324,079	\$ 329,570	\$ 5,491
Interest	500	500	290	(210)
Total Receipts	250,500	324,579	329,860	5,281
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	7,900	7,900		7,900
Roads	260,000	334,079	225,270	108,809
Total Disbursements	267,900	341,979	225,270	116,709
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(17,400)	(17,400)	104,590	121,990
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(82,600)	(82,600)		82,600
Total Other Adjustments to Cash (Uses)	(82,600)	(82,600)		82,600
Net Change in Fund Balance	(100,000)	(100,000)	104,590	204,590
Fund Balance Beginning	100,000	100,000	98,492	(1,508)
Fund Balance - Ending	\$ 0	\$ 0	\$ 203,082	\$ 203,082

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 893,000	\$ 893,000	\$	\$ (893,000)
Total Receipts	893,000	893,000		(893,000)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	850,000	859,000		859,000
Total Disbursements	850,000	859,000		859,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	43,000	34,000		(34,000)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(43,000)	(43,000)		43,000
Total Other Adjustments to Cash (Uses)	(43,000)	(43,000)		43,000
Net Change in Fund Balance		(9,000)		9,000
Fund Balance - Beginning		9,000	9,000	
Fund Balance - Ending	\$ 0	\$ 0	\$ 9,000	\$ 9,000

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>EMS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	2,225,000	2,611,021	2,998,793	387,772
Miscellaneous	6,000	14,984	16,661	1,677
Total Receipts	<u>2,241,000</u>	<u>2,636,005</u>	<u>3,025,454</u>	<u>389,449</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,791,730	3,036,470	2,830,329	206,141
Administration	1,129,700	1,191,665	1,143,750	47,915
Total Disbursements	<u>3,921,430</u>	<u>4,228,135</u>	<u>3,974,079</u>	<u>254,056</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,680,430)</u>	<u>(1,592,130)</u>	<u>(948,625)</u>	<u>643,505</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,680,430</u>	<u>1,680,430</u>	<u>948,625</u>	<u>(731,805)</u>
Total Other Adjustments to Cash (Uses)	<u>1,680,430</u>	<u>1,680,430</u>	<u>948,625</u>	<u>(731,805)</u>
Net Change in Fund Balance		88,300		(88,300)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 88,300</u>	<u>\$ 0</u>	<u>\$ (88,300)</u>

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>FOREST FIRE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	300	383	383	
Total Receipts	500	583	383	(200)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,000	2,406	1,728	678
Total Disbursements	2,000	2,406	1,728	678
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,500)	(1,823)	(1,345)	478
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,500	1,500	1,728	228
Total Other Adjustments to Cash (Uses)	1,500	1,500	1,728	228
Net Change in Fund Balance		(323)	383	706
Fund Balance Beginning		323	323	
Fund Balance - Ending	\$ 0	\$ 0	\$ 706	\$ 706

**BULLITT COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 265,000	\$ 265,000	\$ 272,133	\$ 7,133
Intergovernmental	355,000	355,000	239,675	(115,325)
Miscellaneous	1,500	20,720	19,229	(1,491)
Total Receipts	<u>621,500</u>	<u>640,720</u>	<u>531,037</u>	<u>(109,683)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	822,691	820,419	785,442	34,977
Administration	260,300	281,792	280,955	837
Total Disbursements	<u>1,082,991</u>	<u>1,102,211</u>	<u>1,066,397</u>	<u>35,814</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(461,491)</u>	<u>(461,491)</u>	<u>(535,360)</u>	<u>(73,869)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>461,491</u>	<u>461,491</u>	<u>535,360</u>	<u>73,869</u>
Total Other Adjustments to Cash (Uses)	<u>461,491</u>	<u>461,491</u>	<u>535,360</u>	<u>73,869</u>
Net Change in Fund Balance				
Fund Balance - Beginning	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**June 30, 2015**

**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 Government 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. Excess of Disbursements Over Appropriations**

General fund debt service disbursements exceeded budgeted appropriations by \$263,138 and general fund general government disbursements exceeded budgeted appropriations by \$369,093.

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**BULLITT COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**



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

**For The Year Ended June 30, 2015**

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	2,116,304	80,028		2,196,332
Vehicles	5,653,933	392,952	153,618	5,893,267
Infrastructure	9,498,830	588,331		10,087,161
Total Capital Assets	<u>\$ 52,549,393</u>	<u>\$ 1,061,311</u>	<u>\$ 153,618</u>	<u>\$ 53,457,086</u>

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

**June 30, 2015**

**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.

	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***





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, 2015 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 July 12, 2016.

**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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bullitt County's Fiscal Court internal control. Accordingly, we do not express an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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.

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. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2015-001, 2015-002, and 2015-003 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying comments and recommendations as item 2015-001.

### **County Judge/Executive's Responses to Findings**

The Bullitt County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The Bullitt County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

July 12, 2016



**BULLITT COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2015**



**BULLITT COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2015**

FINANCIAL STATEMENT FINDINGS:

2015-001 The Bullitt County Emergency Medical Services Department Lacks Strong Controls Over Receipts

---

We reviewed receipt documentation available from the Bullitt County Emergency Medical Services (EMS) department. We noted the following control deficiencies:

- The county treasurer did not receive sufficient documentation from EMS to balance the EMS collection system to the deposit tickets.
- EMS is not making deposits daily.
- EMS did not issue receipt tickets for all receipts collected.
- Twenty instances where EMS did not maintain documentation to support payments on or adjustments to patients' accounts and the deposit ticket amounts did not agree to daily collection reports and county treasurer's ledger.
- Five instances where EMS did not post automatic payments from insurance companies or regular deposits to patients' accounts timely or accurately.
- Five instances where EMS did not maintain supporting documentation to account for receipts collected per the deposit ticket.
- EMS staff were not sure why there were differences between deposit amounts and collection amounts posted to patients' accounts.
- EMS does not have procedures in place to ensure that patients' accounts are turned over to the collections company timely and followed up.
- EMS has a petty cash envelope containing receipts from prior years for various items. EMS staff indicated these funds are used for making change for patient payments and for collecting money from individuals for their CPR cards after completing training. No documentation is maintained for the money collected for the CPR cards.

The fiscal court does not have a policy in place to require all departments to issue three-part receipts or a policy to ensure all receipts are accounted for by balancing cash and checks collected to the EMS accounting system, patients' accounts, deposit tickets, and county ledgers. Without these policies, the risk of misstatements in reporting of EMS receipts significantly increases due to error or fraud. The risk of receipts being collected and not deposited significantly increases. KRS 64.840(2) requires all governmental officials handling public funds to issue a three part pre-numbered receipt: "[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit." KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. County officials are provided guidelines for minimum accounting and reporting standards for the county receipts in the Department for Local Government *County Budget Preparation and State Local Finance Officer Policy Manual*. KRS 68.210 requires that all receipts be deposited intact and on a daily basis. Strong internal controls and proper accounting procedures dictate that all receipts collected should be accounted for with a supporting receipt ticket, an entry into the accounting system to the patient's account, and reconciliation to the deposit ticket and receipts ledger. Receipts collected should have adequate support maintained.

**BULLITT COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2015**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-001 The Bullitt County Emergency Medical Services Department Lacks Strong Controls Over Receipts (Continued)

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We recommend fiscal court and EMS work together to comply with KRS 64.840 and implement the following procedures:

- Pre-numbered receipts should be written and maintained for all monies collected, regardless of whether or not the customer requests a receipt.
- All three copies of voided receipts should be maintained.
- All monies collected should be accounted for with receipt tickets being batched daily and reconciled to the cash and checks collected per the daily collection report and daily deposit ticket. After daily receipts are accounted for by EMS, copies of the receipt tickets, daily collection report, and deposit ticket should be given to the County Treasurer.
- EMS staff need to implement procedures to ensure all automatic payments from insurance companies are accounted for accurately and timely on patients' accounts.
- EMS staff need to be trained on the collection system to ensure they understand how to accurately post billings, collections, and adjustments to patients' accounts and that the amounts collected reconcile to the deposit.
- EMS should make deposits intact daily.
- The county treasurer should review all receipt tickets to check for missing receipt numbers and compare the cash and checks to the receipts per the daily collection report and deposit ticket to ensure all monies collected are accounted for properly.
- The petty cash fund at the EMS department should be eliminated.

*County Judge/Executive Roberts' Response: This issue will be addressed to ensure procedures are developed and implemented.*

2015-002 The Bullitt County Emergency Medical Services Department Has A Lack Of Segregation Of Duties Over Receipts

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Bullitt County EMS has a lack of segregation of duties over receipts. The bookkeeper collects receipts, records receipts in collection system for patients' accounts, prepares the deposit ticket, and takes the deposit ticket to the bank. There are no compensating controls. Bullitt County EMS 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 through financial reporting and theft. We recommend Bullitt County EMS segregate the duties over receipts accounting functions or implement appropriate compensating controls. The EMS director, who does not have responsibilities related to receipts, could perform compensating controls in addition to increasing oversight of the receipts process. A potential compensating control is to 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 deposit tickets and bank statements.

*County Judge/Executive Roberts' Response: This issue will be addressed to ensure segregation of duties.*

**BULLITT COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2015  
(Continued)**

FINANCIAL STATEMENT FINDINGS (CONTINUED):

2015-003 The Bullitt County Jail Has A Lack Of Segregation Of Duties Over Receipts

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The jail 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 and 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 through financial reporting and theft. We recommend the jailer segregate the duties over receipts accounting functions or implement appropriate 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 unusual or questionable transactions. The reviews should be documented by initials on the deposit tickets and bank statements.

*County Jailer Knox's Response: Effective immediately, the Jailer or a designated person will randomly review and sign off on daily deposits. The Jailer will review and sign off on all bank statements once they have been balanced.*

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

**BULLITT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2015**

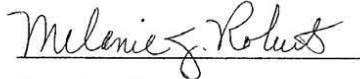




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



County Judge/Executive



County Treasurer

