

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

**For The Fiscal Year Ended
June 30, 2017**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BULLITT COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES.....	23
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	31
SCHEDULE OF CAPITAL ASSETS.....	35
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	36
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
SCHEDULE OF FINDINGS AND RESPONSES	43
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Bullitt County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Bullitt County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Bullitt County Fiscal Court as of June 30, 2017, 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, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Bullitt County Fiscal Court. The Budgetary Comparison Schedules and the Capital Asset Schedule are presented for the purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2018, on our consideration of the Bullitt County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bullitt County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2017-001 The Bullitt County Detention Center Does Not Make Daily Deposits
- 2017-002 The Bullitt County Animal Shelter Does Not Make Daily Deposits
- 2017-003 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked
- 2017-004 The Bullitt County Fiscal Court Did Not Have A Collateral Security Agreement And Deposits Of \$3,583,693 Were Uncollateralized
- 2017-005 The Bullitt County Fiscal Court's Capital Asset Beginning Balance Was Materially Misstated
- 2017-006 The Bullitt County Fiscal Court Lacks Segregation of Duties Over Animal Shelter Receipts
- 2017-007 The Bullitt County Detention Center Did Not Properly Reconcile The Inmate Bank Account

Respectfully Submitted,



Mike Harmon
Auditor of Public Accounts

July 30, 2018

BULLITT COUNTY OFFICIALS

For the Year Ended June 30, 2017

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

Appointed Personnel:

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

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

For The Year Ended June 30, 2017

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

For the Year Ended June 30, 2017

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 9,410,571	\$	\$
Excess Fees	800,087		
Licenses and Permits	1,301,195		
Intergovernmental	693,677	1,999,291	1,475,809
Charges for Services	30,207		177,512
Miscellaneous	309,872	507	191,504
Interest	5,342		
Total Receipts	<u>12,550,951</u>	<u>1,999,798</u>	<u>1,844,825</u>
DISBURSEMENTS			
General Government	4,672,374		
Protection to Persons and Property	387,284		3,376,912
General Health and Sanitation	513,445		
Social Services	105,260		
Recreation and Culture	200,236		
Roads		2,459,794	
Debt Service	765,244		
Capital Projects	1,031		
Administration	1,424,217	490,760	980,517
Total Disbursements	<u>8,069,091</u>	<u>2,950,554</u>	<u>4,357,429</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,481,860</u>	<u>(950,756)</u>	<u>(2,512,604)</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account	(73,669)		
Transfers From Other Funds		950,796	2,512,604
Transfers To Other Funds	(4,610,655)		
Total Other Adjustments to Cash (Uses)	<u>(4,684,324)</u>	<u>950,796</u>	<u>2,512,604</u>
Net Change in Fund Balance	(202,464)	40	
Fund Balance - Beginning (Restated)	2,219,398		
Fund Balance - Ending	<u>\$ 2,016,934</u>	<u>\$ 40</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 2,076,259	\$ 18,111	\$ 35,530
Payroll Revolving Account Reconciled Balance	29,790		
Less: Outstanding Checks	(89,115)	(18,071)	(35,530)
Fund Balance - Ending	<u>\$ 2,016,934</u>	<u>\$ 40</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, 2017
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Federal Grants Fund	Emergency Medical Services Fund	Forest Fire Fund	911 Fund
\$	\$	\$	\$	\$ 1,205,698
409,521	181,080	2,987,306 15,419		315,200
494				
<u>410,015</u>	<u>181,080</u>	<u>3,002,725</u>		<u>1,520,898</u>
	30,456	2,834,728	1,728	825,088
142,923				
		1,116,929		223,503
<u>142,923</u>	<u>30,456</u>	<u>3,951,657</u>	<u>1,728</u>	<u>1,048,591</u>
<u>267,092</u>	<u>150,624</u>	<u>(948,932)</u>	<u>(1,728)</u>	<u>472,307</u>
		948,932	1,728	196,595
		<u>948,932</u>	<u>1,728</u>	<u>196,595</u>
267,092	150,624			668,902
402,533			706	
<u>\$ 669,625</u>	<u>\$ 150,624</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 668,902</u>
\$ 669,625	\$ 168,176	\$ 117,664	\$ 706	\$ 668,902
	(17,552)	(117,664)		
<u>\$ 669,625</u>	<u>\$ 150,624</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 668,902</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, 2017
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Facilities Construction Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 10,616,269
Excess Fees			800,087
Licenses and Permits			1,301,195
Intergovernmental	1,302,505		6,377,083
Charges for Services			3,195,025
Miscellaneous		277,027	794,329
Interest			5,836
Total Receipts	<u>1,302,505</u>	<u>277,027</u>	<u>23,089,824</u>
DISBURSEMENTS			
General Government			4,672,374
Protection to Persons and Property			7,456,196
General Health and Sanitation			513,445
Social Services			105,260
Recreation and Culture		265,843	466,079
Roads			2,602,717
Debt Service	1,302,505		2,067,749
Capital Projects			1,031
Administration			4,235,926
Total Disbursements	<u>1,302,505</u>	<u>265,843</u>	<u>22,120,777</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>11,184</u>	<u>969,047</u>
Other Adjustments to Cash (Uses)			
Change in Payroll Revolving Account			(73,669)
Transfers From Other Funds			4,610,655
Transfers To Other Funds			(4,610,655)
Total Other Adjustments to Cash (Uses)			<u>(73,669)</u>
Net Change in Fund Balance		11,184	895,378
Fund Balance - Beginning (Restated)		159,523	2,782,160
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 170,707</u>	<u>\$ 3,677,538</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 180,647	\$ 3,935,620
Payroll Revolving Account Reconciled Balance			29,790
Less: Outstanding Checks		(9,940)	(287,872)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 170,707</u>	<u>\$ 3,677,538</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS AND INVESTMENTS	13
NOTE 3.	TRANSFERS.....	13
NOTE 4.	AGENCY TRUST FUNDS	13
NOTE 5.	LONG-TERM DEBT	14
NOTE 6.	CONTINGENCIES	17
NOTE 7.	COMMITMENT DEBT.....	17
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 9.	DEFERRED COMPENSATION.....	20
NOTE 10.	INSURANCE.....	20
NOTE 11.	PAYROLL REVOLVING ACCOUNT	20
NOTE 12.	PRIOR PERIOD ADJUSTMENTS	20
NOTE 13.	FLEXIBLE SPENDING ACCOUNT.....	20

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Bullitt County includes all budgeted and unbudgeted funds under the control of the Bullitt County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

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

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

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Facilities Construction Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The state local finance officer does not require the Public Facilities Construction Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Bullitt County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Bullitt County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Bullitt County Fiscal Court.

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

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits and Investments

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met because 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 66.480(1)(d) and KRS 41.240. On June 30, 2017, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$3,583,693

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Total Transfers In
Road Fund	\$ 950,796	\$ 950,796
Jail Fund	2,512,604	2,512,604
EMS Fund	948,932	948,932
Forest Fire Fund	1,728	1,728
911 Fund	196,595	196,595
Total Transfers Out	<u>\$ 4,610,655</u>	<u>\$ 4,610,655</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$42,352.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt

A. Financing Obligation - Judicial Center

On June 28, 2007, the fiscal court entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of funding cost overruns and change orders in the judicial center project and to consolidate the debt associated with the judicial center. The term of the agreement is 20 years with varying principal payments due twice a year. During the year ended June 30, 2017, \$1,302,505 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, 2017, was \$10,165,325. 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	Interest & Fees
2018	\$ 837,140	\$ 465,365
2019	878,595	423,911
2020	922,022	380,502
2021	967,654	334,851
2022	1,015,533	286,972
2023-2027	5,544,381	638,253
Totals	<u>\$ 10,165,325</u>	<u>\$ 2,529,854</u>

On June 28, 2007, the fiscal court entered into a lease agreement with AOC, which states that AOC agrees to pay 100 percent of the debt service requirements. The lease does not require the fiscal court to make any rental payments toward the project; however, the fiscal court is obligated to provide operation, maintenance, insurance, and repairs of the project.

The bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the fiscal court of its rights, title, and interest in the lease with AOC.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

B. General Obligation Refunding Bonds, Series 2013 - Detention Center

On May 30, 2013, the Bullitt County Fiscal Court issued \$6,170,000 of general obligation refunding bonds, series 2013, for the purpose of paying off Bullitt County #4-Detention Center Debt. The bond requires semi-annual interest payments due on February 1 and August 1. The bond will mature on February 1, 2026. The principal balance at June 30, 2017, was \$4,605,000. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Interest & Fees
2018	\$ 395,000	\$ 86,556
2019	400,000	81,619
2020	405,000	75,619
2021	410,000	68,531
2022	420,000	60,331
2023-2027	2,230,000	172,256
2028	345,000	7,331
Totals	<u>\$ 4,605,000</u>	<u>\$ 552,243</u>

C. Financing Obligation - Refinancing for Courthouse and Land

On May 21, 2015, the fiscal court entered into a financing obligation lease agreement with KACoLT in the amount of \$2,560,000, for the purpose of refinancing the finance lease obligation agreements for the construction of the courthouse entered into on July 16, 2002, for \$4,000,000 and the finance lease obligation agreement for the acquisition of land entered into on January 19, 2008, for \$705,000. The rate in the agreement was fixed at 3.5 percent with principal and interest payments due monthly on the 20th until the termination date of May 20, 2025. The principal balance at June 30, 2017, was \$2,082,891. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Principal	Interest & Fees
2018	\$ 238,796	\$ 70,076
2019	245,446	61,492
2020	252,282	52,668
2021	259,307	43,598
2022	266,529	34,275
2023-2025	820,532	44,261
Totals	<u>\$ 2,082,891</u>	<u>\$ 306,370</u>

D. Interest Rate Swap

One of the fiscal court's leases (financing obligation) has been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third party financial institution, whereby the third party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the fiscal court pays the fixed rate stated by the swap. Under the terms of the lease agreements the trustee has the right to charge costs associated with the interest rate swap to the fiscal court through additional future rentals.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

D. Interest Rate Swap (Continued)

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at that exercise date is equivalent to the then outstanding principal balance. The notional amount reduces over the term of the lease by the same amount as the principal payments on the lease, as they become due. The swap terminates on the same date as the final principal payment is due on the respective lease.

The interest rate swap in effect as of June 30, 2017, is as follows:

	Date Effective	Termination Date	Notional Amount at June 30, 2017	Settlement Amount at June 30, 2017
Judicial Center - Refinance	June 28, 2007	March 1, 2027	\$ 10,165,325	\$ 1,301,264

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, 2017. The variable rate on all of the swaps is the SIFMA index (formerly known as BMA).

The swaps expose the fiscal court to the following risks that could give rise to additional rental payments:

Credit risk: Credit risk is the risk that the third party financial institution will not fulfill its obligations to pay the variable rate interest. All third party financial institutions party to the interest rate swaps have S&P credit quality ratings of AA2/AA-. The value of the transaction to the fiscal court depends upon the third party financial institutions maintaining their perceived creditworthiness in the municipal marketplace and fulfilling their obligations under the interest rate swap agreements. Should the third party financial institutions fail to fulfill their obligations, the fiscal court will be required to pay additional rentals for any costs associated with terminating the swap agreement, plus the costs of entering into an interest rate swap agreement with an alternative financial institution. Should an alternative financial institution not be available, the fiscal court would be required to make payments at the variable interest rate contained within the leases.

Basis risk: Basis risk is a term used to refer to a mismatch in the source of the variable interest rates in the lease agreement and the swap agreement. When an agency uses an interest rate swap agreement in conjunction with a variable rate debt instrument, the variable rate index used to calculate the payments due under the swap agreement (in this case, the SIFMA index) may not match the rate at which the variable rate debt is remarketed (the interest rate on KACoLT's variable rate bonds, which is reset on a daily basis). This mismatch could potentially be magnified if KACoLT were to administer the program in such a way that the underlying bonds were determined to be taxable obligations, which would be considered an event of default according to the terms of the letter of credit agreement.

Termination risk: Termination risk is the risk that a derivative's unscheduled end will affect the fiscal court's asset/liability strategy or will present the fiscal court with potentially significant unscheduled termination payments to the trustee. For example, the fiscal court relies on the interest rate swaps to insulate it from possibility of increasing interest rate payments; if the swap has an unscheduled termination, that benefit would not be available. The fiscal court would also be required to pay any costs associated with terminating the swap agreement.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

D. Interest Rate Swap (Continued)

Market access risk: Market access risk is the risk that the fiscal court will not be able to enter credit markets or that credit will become more costly. If the fiscal court is required to pay additional rentals or to pay higher variable rates, the fiscal court's credit rating could suffer and additional debt could become more expensive and more difficult to sell. The fiscal court may also be required to pay additional rentals for fees relating to any letters of credit being used to collateralize the interest rate swap. Furthermore, if interest rates in the municipal bond market were to decrease and the fiscal court wanted to refinance the debt at a lower interest rate, the fiscal court would first have to terminate the swap agreement. When interest rate swap agreements are terminated prior to the contract's maturity, one party to the agreement will owe the other party a termination payment that reflects the value of the swap under current market conditions. It is likely that if the rates have decreased to the extent that the fiscal court would want to refinance the debt, the fiscal court would be the party that would have to make the termination payment. The use of the interest rate swap agreement may limit the fiscal court's flexibility in managing the lease obligations going forward.

E. Changes in Long-term Debt

Long-term debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance (*Restated)	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 4,995,000	\$	\$ 390,000	\$ 4,605,000	\$ 395,000
Financing Obligations *	13,259,097		1,010,881	12,248,216	1,075,936
Total Long-term Debt	<u>\$ 18,254,097</u>	<u>\$ 0</u>	<u>\$ 1,400,881</u>	<u>\$ 16,853,216</u>	<u>\$ 1,470,936</u>

* Beginning balance was restated by \$19,117, due to July 2016 payment being made in June 2016 (FY 2016).

Note 6. Contingencies

The county is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 7. Commitment Debt

The county has agreed to make payments to the Kentucky State Treasurer for a total of \$638,861 in 34 equal monthly payments of \$14,000 beginning March 2016 and one final payment of \$162,861, on December 31, 2018, to retire the debt of the former Bullitt County Sheriff, at zero rate of interest. The Bullitt County Fiscal Court made \$168,000 in payments during FY 2017, resulting in a balance on June 30, 2017, of \$414,861.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 8. Employee Retirement System

Plan Description

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2015 was \$1,150,996, FY 2016 was \$1,218,289, and FY 2017 was \$1,156,207.

Nonhazardous

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 be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

In accordance with senate bill 2, signed by the governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

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.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 8. Employee Retirement System (Continued)

Hazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute 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 KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 31.06 percent.

Health insurance coverage

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. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 8. Employee Retirement System (Continued)

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating County's proportionate share. The schedules of employer allocations and pension amounts by employer report and the related actuarial tables are available online at <https://kyret.ky.gov/>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 9. Deferred Compensation

The Bullitt County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2017, the Bullitt County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2017, of \$29,790, was added to the general fund cash balance for financial reporting purposes.

Note 12. Prior Period Adjustments

The prior year ending fund balance for the general fund was decreased by \$30,100 due to an outstanding check being added to the liabilities list.

Note 13. Flexible Spending Account

The Bullitt County Fiscal Court established a flexible spending account in the early 2000s 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 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, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 9,875,000	\$ 9,875,000	\$ 9,410,571	\$ (464,429)
Excess Fees	650,000	650,000	800,087	150,087
Licenses and Permits	856,700	1,060,158	1,301,195	241,037
Intergovernmental	761,100	808,315	693,677	(114,638)
Charges for Services	25,000	25,000	30,207	5,207
Miscellaneous	277,500	288,146	309,872	21,726
Interest	7,500	7,500	5,342	(2,158)
Total Receipts	<u>12,452,800</u>	<u>12,714,119</u>	<u>12,550,951</u>	<u>(163,168)</u>
DISBURSEMENTS				
General Government	4,110,622	4,809,940	4,672,374	137,566
Protection to Persons and Property	419,326	423,486	387,284	36,202
General Health and Sanitation	726,770	726,770	513,445	213,325
Social Services	110,500	116,500	105,260	11,240
Recreation and Culture	292,506	292,506	200,236	92,270
Debt Service	791,891	791,891	765,244	26,647
Capital Projects	2,400	2,400	1,031	1,369
Administration	4,188,212	3,511,689	1,424,217	2,087,472
Total Disbursements	<u>10,642,227</u>	<u>10,675,182</u>	<u>8,069,091</u>	<u>2,606,091</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,810,573</u>	<u>2,038,937</u>	<u>4,481,860</u>	<u>2,442,923</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(4,980,333)</u>	<u>(4,980,333)</u>	<u>(4,610,655)</u>	<u>369,678</u>
Total Other Adjustments to Cash (Uses)	<u>(4,980,333)</u>	<u>(4,980,333)</u>	<u>(4,610,655)</u>	<u>369,678</u>
Net Change in Fund Balance	(3,169,760)	(2,941,396)	(128,795)	2,812,601
Fund Balance - Beginning (Restated)	<u>3,169,760</u>	<u>3,169,760</u>	<u>2,115,939</u>	<u>(1,053,821)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 228,364</u>	<u>\$ 1,987,144</u>	<u>\$ 1,758,780</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,607,500	\$ 2,205,797	\$ 1,999,291	\$ (206,506)
Miscellaneous	3,500	3,500	507	(2,993)
Total Receipts	<u>1,611,000</u>	<u>2,209,297</u>	<u>1,999,798</u>	<u>(209,499)</u>
DISBURSEMENTS				
Roads	2,303,400	2,901,697	2,459,794	441,903
Administration	533,300	533,300	490,760	42,540
Total Disbursements	<u>2,836,700</u>	<u>3,434,997</u>	<u>2,950,554</u>	<u>484,443</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,225,700)</u>	<u>(1,225,700)</u>	<u>(950,756)</u>	<u>274,944</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,225,700	1,225,700	950,796	(274,904)
Total Other Adjustments to Cash (Uses)	<u>1,225,700</u>	<u>1,225,700</u>	<u>950,796</u>	<u>(274,904)</u>
Net Change in Fund Balance			40	40
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40</u>	<u>\$ 40</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,291,500	\$ 1,302,218	\$ 1,475,809	\$ 173,591
Charges for Services	186,500	187,176	177,512	(9,664)
Miscellaneous	238,500	238,500	191,504	(46,996)
Total Receipts	<u>1,716,500</u>	<u>1,727,894</u>	<u>1,844,825</u>	<u>116,931</u>
DISBURSEMENTS				
Protection to Persons and Property	3,103,626	3,376,912	3,376,912	
Administration	1,014,045	980,517	980,517	
Total Disbursements	<u>4,117,671</u>	<u>4,357,429</u>	<u>4,357,429</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,401,171)</u>	<u>(2,629,535)</u>	<u>(2,512,604)</u>	<u>116,931</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>2,401,171</u>	<u>2,401,171</u>	<u>2,512,604</u>	<u>111,433</u>
Total Other Adjustments to Cash (Uses)	<u>2,401,171</u>	<u>2,401,171</u>	<u>2,512,604</u>	<u>111,433</u>
Net Change in Fund Balance		(228,364)		228,364
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (228,364)</u>	<u>\$ 0</u>	<u>\$ 228,364</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 310,000	\$ 368,290	\$ 409,521	\$ 41,231
Interest		287	494	207
Total Receipts	<u>310,000</u>	<u>368,577</u>	<u>410,015</u>	<u>41,438</u>
DISBURSEMENTS				
Protection to Persons and Property	7,900	7,900		7,900
Roads	460,000	521,110	142,923	378,187
Total Disbursements	<u>467,900</u>	<u>529,010</u>	<u>142,923</u>	<u>386,087</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(157,900)</u>	<u>(160,433)</u>	<u>267,092</u>	<u>427,525</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(242,100)	(242,100)		242,100
Total Other Adjustments to Cash (Uses)	<u>(242,100)</u>	<u>(242,100)</u>		<u>242,100</u>
Net Change in Fund Balance	(400,000)	(402,533)	267,092	669,625
Fund Balance - Beginning	<u>400,000</u>	<u>402,533</u>	<u>402,533</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 669,625</u>	<u>\$ 669,625</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 206,000	\$ 206,000	\$ 181,080	\$ (24,920)
Total Receipts	206,000	206,000	181,080	(24,920)
DISBURSEMENTS				
Protection to Persons and Property	206,000	206,000	30,456	175,544
Total Disbursements	206,000	206,000	30,456	175,544
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			150,624	150,624
Net Change in Fund Balance			150,624	150,624
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 150,624	\$ 150,624

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

EMERGENCY MEDICAL SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$	\$ (10,000)
Charges for Services	2,350,000	2,350,000	2,987,306	637,306
Miscellaneous	4,000	14,412	15,419	1,007
Total Receipts	<u>2,364,000</u>	<u>2,374,412</u>	<u>3,002,725</u>	<u>628,313</u>
DISBURSEMENTS				
Protection to Persons and Property	2,828,830	2,845,783	2,834,728	11,055
Administration	1,130,032	1,123,491	1,116,929	6,562
Total Disbursements	<u>3,958,862</u>	<u>3,969,274</u>	<u>3,951,657</u>	<u>17,617</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,594,862)</u>	<u>(1,594,862)</u>	<u>(948,932)</u>	<u>645,930</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,594,862</u>	<u>1,594,862</u>	<u>948,932</u>	<u>(645,930)</u>
Total Other Adjustments to Cash (Uses)	<u>1,594,862</u>	<u>1,594,862</u>	<u>948,932</u>	<u>(645,930)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	400.00	400.00		(400)
Total Receipts	<u>600</u>	<u>600</u>		<u>(600)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Total Disbursements	<u>2,000</u>	<u>2,000</u>	<u>1,728</u>	<u>272</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,400)</u>	<u>(1,400)</u>	<u>(1,728)</u>	<u>(328)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>700</u>	<u>700</u>	<u>1,728</u>	<u>1,028</u>
Total Other Adjustments to Cash (Uses)	<u>700</u>	<u>700</u>	<u>1,728</u>	<u>1,028</u>
Net Change in Fund Balance	(700)	(700)		700
Fund Balance - Beginning	<u>700</u>	<u>700</u>	<u>706</u>	<u>6</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 706</u>	<u>\$ 706</u>

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 872,101	\$ 1,162,894	\$ 1,205,698	\$ 42,804
Intergovernmental	434,000	434,000	315,200	(118,800)
Miscellaneous	1,500	1,500		(1,500)
Total Receipts	<u>1,307,601</u>	<u>1,598,394</u>	<u>1,520,898</u>	<u>(77,496)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,059,956	1,350,749	825,088	525,661
Administration	247,645	247,645	223,503	24,142
Total Disbursements	<u>1,307,601</u>	<u>1,598,394</u>	<u>1,048,591</u>	<u>549,803</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>472,307</u>	<u>472,307</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			<u>196,595</u>	<u>196,595</u>
Total Other Adjustments to Cash (Uses)			<u>196,595</u>	<u>196,595</u>
Net Change in Fund Balance			668,902	668,902
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 668,902</u>	<u>\$ 668,902</u>

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

June 30, 2017

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (4,610,655)
To adjust for change in Payroll Revolving Account	<u>(73,669)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (4,684,324)</u>
Fund Balance - Ending - Budgetary Basis	\$ 1,987,144
To adjust for balance in Payroll Revolving Account	<u>29,790</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 2,016,934</u>

THIS PAGE LEFT BLANK INTENTIONALLY

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	(*Restated) Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 1,077,975	\$	\$	\$ 1,077,975
Land Improvements	255,659			255,659
Buildings	33,946,692	90,000		34,036,692
Machinery and Equipment *	4,079,135	56,261		4,135,396
Vehicles *	2,765,722	484,934	63,587	3,187,069
Infrastructure	10,877,451	1,075,065		11,952,516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 53,002,634</u>	<u>\$ 1,706,260</u>	<u>\$ 63,587</u>	<u>\$ 54,645,307</u>

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

June 30, 2017

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
Equipment	\$ 4,000	3-25
Vehicles	\$ 400	3-12
Infrastructure	\$ 20,000	10-50

Note 2. Restated Beginning Balance

The capital asset beginning balance was restated for machinery and equipment by a decrease of \$2,150,915 and vehicles by a decrease of \$883,039, for a total restatement decrease of \$3,033,954, due to calculation error in prior year, change in historical cost, and addition and removal of assets.

**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***

THIS PAGE LEFT BLANK INTENTIONALLY



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, 2017, 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 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Bullitt County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bullitt County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-005 to be a material weakness.



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)

Internal Control over Financial Reporting (Continued)

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 consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-006 and 2017-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bullitt County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, 2017-003, and 2017-004.

Views Of Responsible Officials and Planned Corrective Action

Bullitt County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully Submitted,



Mike Harmon
Auditor of Public Accounts

July 30, 2018

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

**BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

STATE LAWS AND REGULATIONS:

2017-001 The Bullitt County Detention Center Does Not Make Daily Deposits

The Bullitt County Detention Center does not make deposits daily for inmate funds collected. Deposits from Friday through the next Thursday are made the next Friday. The jailer has not implemented procedures for daily deposits of inmate funds as part of the internal control system. When deposits are not made daily, the risk of misappropriation of assets due to errors in financial reporting and theft of funds significantly increases. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The minimum requirements for handling public funds as stated in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* requires that deposits be made daily and intact. All monies collected should be deposited intact and unaltered. Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most subject to possible theft. We recommend the Bullitt County Jailer implement procedures to ensure that all deposits are made daily.

Views of Responsible Officials and Planned Corrective Action:

County Judge/Executive's Response: None

County Jailer's Response: The Bullitt County Detention Center has recently changed commissary company, [vendor], using Kiosks to collect money. [Vendor] is responsible for pulling the money from machines and making deposits. Deposits will be made multiple times through the week due to different forms of payment accepted.

2017-002 The Bullitt County Animal Shelter Does Not Make Daily Deposits

This is a repeat finding and was included in the prior year audit report as finding 2016-002. Bullitt County Animal Shelter does not deposit animal shelter receipts on a daily basis. Daily deposits for animal shelter receipts were not made during FY 2017 as was noted during review of animal shelter receipts per the county receipts ledger for January 2017. The county receipts ledger had six separate animal shelter receipts postings for January 4, 2017. They related to daily deposit collections for: December 20-22, 2016 and December 27-29, 2016. The county receipts ledger had six separate animal shelter receipts postings for January 13, 2017. They related to daily deposit collections for: December 27, 2016, January 3, 2017, and January 9-10, 2017, and two separate entries for January 11, 2017. During FY 2017, Bullitt County Animal Shelter did not implement a policy to ensure deposits are made daily. When receipts collected are not deposited daily, the risk of misstatement of receipts increases due to undetected error or fraud. Receipts could be collected and not deposited. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. According to the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, deposits should be made daily. We recommend Bullitt County Animal Shelter begin making deposits daily.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Every effort is made to make daily deposits, however sometimes circumstances beyond the control of the Animal Shelter staff prevent it. If the deposit is not made, monies are kept in a locked safe, which is also continuously monitored by a security camera.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2017-003 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked

Bullitt County employees' timesheets do not accurately reflect actual hours worked by employees. The following weaknesses were noted during testing procedures and auditee staff inquiry:

- Most employees work from 8:00 a.m. until 4:00 p.m. daily. The employees leave during this period for a lunch break. However, the employees' timesheets show time worked of eight hours each day, which would include the lunch break. So employees that are paid on an hourly basis are being paid for time not spent working.
- Salaried employees who work overtime do not account for overtime worked on their timesheets because the county will not compensate them for their overtime. They track their own overtime hours earned and take that time off later.

The county's personnel policy is not clear in defining what hours constitute a full work day, including breaks and lunch. If the county wants to allow employees to work through lunch and be paid for that, there needs to be a policy in place to allow the employee and employer to enter into a mutual agreement for such an arrangement. Without a clear definition of when employees are on work time versus break time, employees could be paid for hours not actually worked. Furthermore, the county's personnel policy does not indicate salaried employees are to be paid for overtime earned, resulting in possible noncompliance with state law for salaried employees who are not exempt from overtime. Additionally, because employees track their own overtime rather than enter the hours worked on official timesheets, the amount of overtime worked has not been approved by a supervisor, which could lead to inaccurate or unauthorized reporting even if the compensatory leave was permitted.

KRS 337.355 states, "[e]mployers, except those subject to the Federal Railway Labor Act, shall grant their employees a reasonable period for lunch, and such time shall be as close to the middle of the employee's scheduled work shift as possible. In no case shall an employee be required to take a lunch period sooner than three (3) hours after his work shift commences, nor more than five (5) hours from the time his work shift commences. This section shall not be construed to negate any provision of a collective bargaining agreement or mutual agreement between the employee and employer."

KRS 337.320(1) states, "[e]very employer shall keep a record of:

- (a) The amount paid each pay period to each employee,
- (b) The hours worked each day and each week by each employee, and
- (c) Such other information as the commissioner requires."

We recommend the fiscal court implement the following procedures:

- review the personnel policy to ensure it clearly states what defines a work day, including breaks and lunch, and that hourly employees only get paid for actual hours worked as documented on timesheets,
- review each salaried employee's job duties, and if the employee is deemed exempt from overtime, then document the assessment and conclusion in the employee's personnel file, and
- ensure all employee timesheets reflect actual hours worked, including overtime earned and any leave taken.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2017-003 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The county provides a paid lunch period as part of the employee benefit. We respectfully disagree with this finding. According to the U.S. Department of Labor, the Fair Labor Standards Act provides an exemption for overtime pay for certain employees. Some of the criteria is as follows: management of a department; direct the work of at least two or more full-time employees; recommend hiring and/or firing of employees; primary duty must be the performance of office work. All county employees classified as salaried meet one or more of the criteria.

Auditor's Reply: As stated, the county should review the personnel policy to ensure it clearly states what defines a work day, including breaks and lunch, and that hourly employees are only paid for actual hours worked as documented on timesheets; review each salaried employee's job duties, and if the employee is deemed exempt from overtime, then document the assessment and conclusion in the employee's personnel file; and ensure all employee timesheets reflect actual hours worked, including overtime and any leave taken. KRS 337.320 states "(1) Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires."

2017-004 The Bullitt County Fiscal Court Did Not Have A Collateral Security Agreement And Deposits Of \$3,583,693 Were Uncollateralized

The Bullitt County Fiscal Court changed banks for their accounts on June 1, 2017. They did not have a collateral security agreement in place with the new bank as of June 30, 2017. Currently, fiscal court staff are working with the bank to have a security agreement in place. Per the deputy judge/executive, the agreement is to be presented to the fiscal court for approval at the February 2018 meeting. Deposits held at the new bank on June 30, 2017, of \$3,833,693 were only insured for \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage, leaving \$3,583,693 uncollateralized. The pledges provided by the new bank were void since there was no collateral security agreement in place on June 30, 2017. The county staff did not ensure a collateral security agreement was in place, reviewed, and finalized within 30 days of the close of the fiscal year. 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, and (c) an official record of the depository institution. We recommend the Bullitt County Fiscal Court obtain a collateral security agreement with the new bank. We recommend the agreement be approved by the fiscal court and signed by the county judge/executive and a president of the bank or his/her designee.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Bullitt County Fiscal Court respectfully disagrees. All deposits were fully collateralized at the time the accounts were funded, by [the bank] in June of 2017. Please see the attached pledge reports from [the bank]. [The bank] entered the agreement into their ALCO minutes for February of 2018.

Auditor's Reply: We reviewed the attachments to the county judge/executive's response and while the bank provided securities for collateral, the absence of a valid collateral agreement is the issue noted in the finding.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS:

2017-005 The Bullitt County Fiscal Court's Capital Asset Beginning Balance Was Materially Misstated

The county's inventory list as of June 30, 2016 did not agree to the audited capital asset listing as of June 30, 2016, resulting in a material adjustment, or restatement, to the beginning balance for FY 2017 of (\$3,033,954).

Machinery and Equipment

Beginning Balance	\$	6,230,050
Adjustment to Beginning Balance-PY calculation error		(2,196,332)
Adjustment to Beginning Balance Historical Cost (Add Change in Value)		41,303
Adjustment to Beginning Balance (Add Asset)		173,409
Adjustment to Beginning Balance (Remove Asset)		(169,295)
Restated Beginning Balance	<u>\$</u>	<u>4,079,135</u>

Vehicles

Beginning Balance	\$	3,648,761
Adjustment to Beginning Balance (Add Asset)		9,991
Adjustment to Beginning Balance (Remove Asset)		(893,030)
Restated Beginning Balance	<u>\$</u>	<u>2,765,722</u>

When the inventory list is not reconciled to the capital assets list, there is significant risk of errors in reporting capital assets. Also, not maintaining an accurate list of capital assets could result in new assets not being insured and retired assets not being removed from the insurance policy. Good internal controls related to capital asset reporting require that the county be aware of their capital asset thresholds for reporting, and that the county inventory lists be reviewed and updated regularly to ensure there are no duplicate assets, and additions and deletions are reported accurately and to the insurance company timely. We recommend the fiscal court implement procedures to ensure the county's inventory lists are reviewed to ensure assets are reported at the correct historical cost, and that the inventory lists are updated accurately and timely for new assets and retired assets.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Procedures have been implemented to ensure capital asset reporting is accurate.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2017-006 The Bullitt County Fiscal Court Lacks Segregation Of Duties Over Animal Shelter Receipts

This is a repeat finding and was included in the prior year audit report as finding 2016-005. One animal shelter staff person collects fees from the public, prepares receipt tickets, and completes the daily collection report, with no other staff person reviewing these functions. These controls did not change during FY 2017. A new animal shelter director was named in October 2017. Upon inquiry of the new animal shelter director and auditor's review of the receipt tickets and related files as of October 2017, the animal shelter director and one animal shelter staff person review all receipt tickets each day to ensure cash and checks are accounted for accurately for deposit and are recorded accurately on the daily deposit report. Their review is evidenced by initials on the receipt tickets. During FY 2017, Bullitt County Animal Shelter had 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 assets and inaccurate financial reporting due to errors and fraud. Good internal controls dictate that accounting functions are to be segregated to reduce the risk of misappropriation of assets. We recommend Bullitt County Animal Shelter segregate the duties over receipts accounting functions or implement compensating controls. For example, the animal shelter director, or a designee, can perform the following compensating controls: review the receipt tickets and daily deposit report to confirm they agree in total, and that all receipt tickets, and cash and checks collected are accounted for accurately. The review should be documented by initials on the documents reviewed.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As noted in the auditor's comments, a new Animal Control Director was hired in October 2017. Since then, there has been dual control over receipts and deposits, as evidenced by the auditor.

2017-007 The Bullitt County Detention Center Did Not Properly Reconcile The Inmate Bank Account

The detention center reconciles the inmate bank account based on when receipts or disbursements clear the bank not when they are receipted or expended. This resulted in a negative bank balance on July 11, 2017. It appears that jail personnel are relying on the canteen accounting system to track and reconcile the inmate bank account. Since the account is not fully reconciled monthly, the actual bank balance is unknown and that could lead to a negative bank balance. Without a proper monthly reconciliation, account transactions could be received but not reported or disclosed accurately on the receipts and disbursements ledgers. We recommend that monthly reconciliations and complete ledgers be maintained for the inmate account.

Views of Responsible Officials and Planned Corrective Action:

County Judge/Executive's Response: None

County Jailer's Response: Monthly reconciliations will be completed throughout the month, allowing for a more accurate account of the bank balance.

THIS PAGE LEFT BLANK INTENTIONALLY

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

BULLITT COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2017

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BULLITT COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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