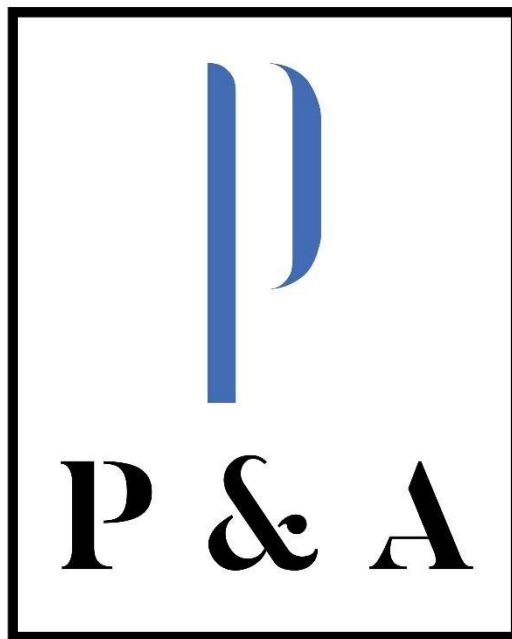


**REPORT OF THE AUDIT OF THE
BULLITT COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2022**



PATRICK & ASSOCIATES, LLC

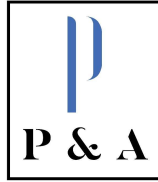
**124 Candlewood Drive
Winchester, KY 40391**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
BULLITT COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	7
NOTES TO FINANCIAL STATEMENT	11
BUDGETARY COMPARISON SCHEDULES.....	26
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	38
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	39
SCHEDULE OF CAPITAL ASSETS.....	42
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	43
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>	46
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE	50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	55
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report on the Audit of the Financial Statement

Qualified and Adverse Opinions

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, 2022, 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.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Qualified and Adverse Opinions section of our report, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Bullitt County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Qualified and Adverse Opinions section of our report, the financial statement does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Bullitt County Fiscal Court, for the year ended June 30, 2022, or the changes in net position, or cash flows thereof for the year then ended.

Basis for Qualified and Adverse Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Bullitt County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and adverse opinions.

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 Honorable Jerry Summers, Bullitt County Judge/Executive
 Members of the Bullitt County Fiscal Court

Basis for Qualified Opinion on Regulatory Basis of Accounting

Bullitt County's Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis, includes the receipts and disbursements of the Jail Commissary Fund for the year then ended. The Fiscal Court had serious weaknesses in the design and operation of the internal control procedures of the Jail Commissary Fund and failed to establish appropriate management oversight of the Jail Commissary Fund. The absence of the internal control and management oversight created an environment in which funds were misappropriated and financial records were manipulated. Therefore, we were unable to obtain sufficient appropriate audit evidence about the receipts, disbursements and fund balance of the Jail Commissary Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 and pervasive.

Responsibilities of Management for the Financial Statement

Bullitt County Fiscal Court's management is responsible for the preparation and fair presentation of the 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Bullitt County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 Honorable Jerry Summers, Bullitt County Judge/Executive
 Members of the Bullitt County Fiscal Court

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bullitt County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Schedule of Expenditures of Federal Awards 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 the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
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 Members of the Bullitt County Fiscal Court

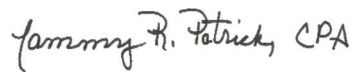
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 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 solely 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 effectiveness of 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 Questioned Costs included herein, which discusses the following report findings:

- 2022-001 The Bullitt County Fiscal Court Schedule Of Expenditures Of Federal Awards Submitted To Auditors Was Materially Inaccurate And The Bullitt County Fiscal Court Failed To Submit A Copy To The Department For Local Government
- 2022-002 The Bullitt County Fiscal Court Lacks Proper Internal Controls Over Cash Transfers And Failed To Approve All Interfund Transfers Timely And Provide Evidence Of Fiscal Court Approval For Interfund Transfers
- 2022-003 The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required
- 2022-004 The Bullitt County Fiscal Court Did Not Have A Written Policy And Adequate Controls Over The Fuel FOB System
- 2022-005 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked
- 2022-006 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Jail Commissary Fund
- 2022-007 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Internal Controls In Place To Properly Account For Receipts And Kiosk Transactions
- 2022-008 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Inmate Trust Account
- 2022-009 The Bullitt County Detention Center Did Not Have Adequate Internal Controls Over Disbursements
- 2022-010 The Bullitt County Detention Center Failed To Retain All Sales Tax Returns For Sales Tax Paid During Fiscal Year 2022

Respectfully submitted,



Tammy R. Patrick, CPA
 Patrick & Associates, LLC

March 15, 2024

BULLITT COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Jerry Summers	County Judge/Executive
Dennis Mitchell	Magistrate
Shaun Logsdon	Magistrate
Joe E. Laswell	Magistrate
Joe Rayhill	Magistrate

Other Elected Officials:

Robert P. Flaherty	County Attorney
Paul Watkins	Jailer
Keven Mooney	County Clerk
Paulita Keith	Circuit Court Clerk
Walt Sholar	Sheriff
Layne Abell	Property Valuation Administrator
Dave Billings	Coroner

Appointed Personnel:

Stephanie Kenann Sharp	County Treasurer
Keith Griffie	Chief Financial Officer

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds			Local Government Economic Assistance Fund
	General Fund	Road Fund	Jail Fund	
RECEIPTS				
Taxes	\$ 18,591,822	\$	\$	\$
Excess Fees	1,251,741			
Licenses and Permits	2,107,663			
Intergovernmental	536,457	2,004,795	1,323,435	479,617
Charges for Services	33,113		52,548	
Miscellaneous	2,137,609	70,971	68,079	
Interest				
Total Receipts	<u>24,658,405</u>	<u>2,075,766</u>	<u>1,444,062</u>	<u>479,617</u>
DISBURSEMENTS				
General Government	6,578,939			
Protection to Persons and Property	519,416		3,679,841	2,500
General Health and Sanitation	564,427			
Social Services	184,911			
Recreation and Culture	112,640			
Roads		2,752,978		898,222
Debt Service	3,133,679			
Capital Projects	13,217			
Administration	2,488,638	639,951	852,589	
Total Disbursements	<u>13,595,867</u>	<u>3,392,929</u>	<u>4,532,430</u>	<u>900,722</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>11,062,538</u>	<u>(1,317,163)</u>	<u>(3,088,368)</u>	<u>(421,105)</u>
Other Adjustments to Cash (Uses)				
Payment to Escrow Agent	(5,057,802)			
Transfers From Other Funds	704,223	1,537,149	3,088,368	
Transfers To Other Funds	(7,396,071)			
Total Other Adjustments to Cash (Uses)	<u>(11,749,650)</u>	<u>1,537,149</u>	<u>3,088,368</u>	
Net Change in Fund Balance	(687,112)	219,986		(421,105)
Fund Balance - Beginning	6,863,724			737,864
Fund Balance - Ending	<u>\$ 6,176,612</u>	<u>\$ 219,986</u>	<u>\$ 0</u>	<u>\$ 316,759</u>
Composition of Fund Balance				
Bank Balance	\$ 6,244,416	\$ 240,339	\$ 22,240	\$ 316,759
Plus: Deposits In Transit/Receivables				
Less: Outstanding Checks	(67,804)	(20,353)	(22,240)	
Fund Balance - Ending	<u>\$ 6,176,612</u>	<u>\$ 219,986</u>	<u>\$ 0</u>	<u>\$ 316,759</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, 2022
(Continued)

Budgeted Funds				
Federal Grants Fund	EMS Fund	Forest Fire Fund	911 Fund	ARPA Fund
\$	\$	\$	\$ 1,179,252	\$
10,500	36,746		419,032	
	3,842,630			
	127,853		88,066	15,318
				491
<u>10,500</u>	<u>4,007,229</u>		<u>1,686,350</u>	<u>15,809</u>
34,066	6,258,256	1,728	1,524,105	
	1,846,622		344,563	
<u>34,066</u>	<u>8,104,878</u>	<u>1,728</u>	<u>1,868,668</u>	
<u>(23,566)</u>	<u>(4,097,649)</u>	<u>(1,728)</u>	<u>(182,318)</u>	<u>15,809</u>
	3,954,398	1,728	409,310	(2,299,105)
	<u>3,954,398</u>	<u>1,728</u>	<u>409,310</u>	<u>(2,299,105)</u>
(23,566)	(143,251)		226,992	(2,283,296)
151,619	143,251	669		7,932,307
<u>\$ 128,053</u>	<u>\$ 0</u>	<u>\$ 669</u>	<u>\$ 226,992</u>	<u>\$ 5,649,011</u>
\$ 128,053	\$ 41,541	\$ 669	\$ 230,017	\$ 5,649,011
	(41,541)		(3,025)	
<u>\$ 128,053</u>	<u>\$ 0</u>	<u>\$ 669</u>	<u>\$ 226,992</u>	<u>\$ 5,649,011</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, 2022
(Continued)

	Unbudgeted Funds		
	Public Properties	Jail	
	Construction	Commissary	
	Corporation	Fund	Total
	Fund	Fund	Funds
RECEIPTS			
Taxes	\$	\$	\$ 19,771,074
Excess Fees			1,251,741
Licenses and Permits			2,107,663
Intergovernmental	1,302,505		6,113,087
Charges for Services			3,928,291
Miscellaneous		402,552	2,910,448
Interest			491
Total Receipts	1,302,505	402,552	36,082,795
DISBURSEMENTS			
General Government			6,578,939
Protection to Persons and Property			12,019,912
General Health and Sanitation			564,427
Social Services			184,911
Recreation and Culture		361,107	473,747
Roads			3,651,200
Debt Service	1,302,505		4,436,184
Capital Projects			13,217
Administration			6,172,363
Total Disbursements	1,302,505	361,107	34,094,900
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		41,445	1,987,895
Other Adjustments to Cash (Uses)			
Payment to Escrow Agent			(5,057,802)
Transfers From Other Funds			9,695,176
Transfers To Other Funds			(9,695,176)
Total Other Adjustments to Cash (Uses)			(5,057,802)
Net Change in Fund Balance		41,445	(3,069,907)
Fund Balance - Beginning		323,965	16,153,399
Fund Balance - Ending	\$ 0	\$ 365,410	\$ 13,083,492
Composition of Fund Balance			
Bank Balance	\$	\$ 245,887	\$ 13,118,932
Plus: Deposits In Transit/Receivables		135,000	135,000
Less: Outstanding Checks		(15,477)	(170,440)
Fund Balance - Ending	\$ 0	\$ 365,410	\$ 13,083,492

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	11
NOTE 2.	DEPOSITS	14
NOTE 3.	TRANSFERS.....	14
NOTE 4.	CUSTODIAL FUNDS	14
NOTE 5.	LONG-TERM DEBT	15
NOTE 6.	COMMITMENTS AND CONTINGENCIES	19
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	19
NOTE 8.	DEFERRED COMPENSATION.....	22
NOTE 9.	FLEXIBLE SPENDING ACCOUNT	22
NOTE 10.	INSURANCE.....	22
NOTE 11.	PRIOR PERIOD ADJUSTMENT	23

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2022

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 for and on behalf of, and as the agency and instrumentality of 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, 2022
(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 grant funds received and related disbursements. The primary source of receipts for this fund are federal grant funds.

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

ARPA Fund - The primary purpose of this fund is to account for American Recovery Program Act Fund (ARPA) receipts and expenses of the county. The primary source of receipts for this fund is federal funds.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

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, 2022
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

- Uncollateralized and Uninsured \$262,167

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	ARPA Fund	Total Transfers In
General Fund	\$	\$ 704,223	\$ 704,223
Road Fund	1,537,149		1,537,149
Jail Fund	3,088,368		3,088,368
EMS Fund	2,521,114	1,433,284	3,954,398
Forest Fire Fund	1,728		1,728
911 Fund	247,712	161,598	409,310
Total Transfers Out	<u>\$ 7,396,071</u>	<u>\$ 2,299,105</u>	<u>\$ 9,695,176</u>

Reason for transfers:

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

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2022 was \$274,744.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Financing Obligation – Judicial Center

On June 28, 2007, the fiscal court entered into a financing obligation agreement with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of funding cost overruns and change orders in the judicial center project and to consolidate the debt associated with the judicial center. The term of the agreement is 20 years with varying principal payments due twice a year. During the year ended June 30, 2022, \$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, 2022, was \$5,544,400. The rate in the lease was fixed at 4.25 percent through the use of an interest rate swap between the trustee and a third-party financial institution. The trustee has the right to charge any costs associated with the interest rate swap to the fiscal court through additional future rentals. In the event of default, the bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the fiscal court of its rights, title, and interest in the lease with AOC. Principal payment requirements and scheduled interest for the remaining term of the agreement, excluding any additional rentals resulting from the interest rate swap, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 1,065,800	\$ 236,707
2024	1,118,500	184,004
2025	1,173,859	128,646
2026	1,231,941	70,564
2027	954,300	18,332
Totals	<u>\$ 5,544,400</u>	<u>\$ 638,253</u>

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

2. Financing Obligation – Refinancing for Courthouse and Land – Defeasance

On May 21, 2015, the fiscal court entered into a financing obligation lease agreement with KACoLT in the amount of \$2,560,000, for the purpose of refinancing the finance lease obligation agreements for the construction of the courthouse entered into on July 16, 2002, for \$4,000,000 and the finance lease obligation agreement for the acquisition of land entered into on January 19, 2008, for \$705,000. The rate in the agreement was fixed at 3.5 percent with principal and interest payments due monthly on the 20th until the termination date of May 20, 2025. In the event of default, the lessor may terminate the lease and take immediate possession of the project.

On November 16, 2021, Bullitt County Fiscal Court used available cash to advance \$986,665 of outstanding 2015 financing obligation lease payments in order to pay off debt early and to free up funds in the county's budget. The lease had an interest rate of 3.5 percent and the obligation was to mature in fiscal year 2025. Bullitt County Fiscal Court paid \$986,665 directly to the lender of the financing obligation lease in full. As a result, the 2015 financing obligation lease is considered defeased.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Financing Obligation – Energy Savings Project – Escrow Defeasance

On September 27, 2018, the fiscal court entered into a lease agreement with Chase Bank in the amount of \$2,885,000, in order to install and equip energy improvement projects in various facilities owned by the fiscal court. The rate in the agreement is fixed at 2.98 percent with principal payments due in fifteen annual payments, commencing on September 1, 2019, and continuing on September 1 of each successive year, and interest payments due each March 1 and September 1 until the lease is paid in full. In the event of default, the lessor may by appropriate court action cause a direct annual tax be levied in an amount sufficient to pay the lease rental payments, sell or re-lease the project, or take whatever action at law or in equity may appear necessary to enforce its rights in and to the project under the lease.

On May 4, 2022, Bullitt County Fiscal Court used available cash to advance \$2,443,967 of outstanding 2019 financing obligation lease payments in order to pay off debt early and to free up funds in the county's budget. The lease had an interest rate of 2.98 percent and the obligation was to mature in fiscal year 2034. Bullitt County Fiscal Court deposited \$2,443,967 in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the lease agreement. As a result, the 2019 financing obligation lease is considered defeased. As of June 30, 2022, \$2,443,967 of defeased lease obligation remain outstanding which consists of \$2,406,311 principal and \$37,656 interest.

B. Other Debt

1. General Obligation Refunding Bonds, Series 2013 – Detention Center – Escrow Defeasance

On May 30, 2013, 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 bonds require semiannual interest payments due on February 1 and August 1. The bonds will mature on February 1, 2028. In the event of default, the bonds are general obligations of the county and the full faith, credit, and taxing power of the county is irrevocably pledged to the payment of principal and interest on the bonds when due.

On March 4, 2022, Bullitt County Fiscal Court used available cash to advance \$2,613,835 of outstanding 2013 general obligation refunding bonds payments in order to pay off debt early and to free up funds in the county's budget. The bond obligation was to mature in fiscal year 2028. Bullitt County Fiscal Court deposited \$2,613,835 in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the bond issue. As a result, the 2013 general obligation refunding bonds are considered defeased. As of June 30, 2022, \$2,754,586 of defeased general obligation refunding bonds remain outstanding which consists of \$2,575,000 principal and \$38,835 interest.

C. Interest Rate Swap

One of the fiscal court's leases (financing obligation) has been fixed through the use of interest rate swaps. The interest rate swaps are exchange agreements between the trustee and a third-party financial institution, whereby the third-party financial institution pays the trustee the variable rate interest within the swap (which is equivalent to the variable rate within the lease) and the fiscal court pays the fixed rate stated by the swap. Under the terms of the lease agreement 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, 2022
(Continued)

Note 5. Long-term Debt (Continued)

C. Interest Rate Swap (Continued)

The swap becomes effective on the date that the county exercises its option to convert the variable interest rate in the lease to a fixed rate. The notional amount of the swap at the 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, 2022, is as follows:

	<u>Date Effective</u>	<u>Termination Date</u>	<u>Notional Amount at June 30, 2022</u>	<u>Settlement Amount at June 30, 2022</u>
Judicial Center - Refinance	June 28, 2007	March 1, 2027	\$ 5,544,400	\$ (253,248)

The settlement values above are calculated using the forward Libor Curve, taking a percentage of the 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, 2022. The variable rate on all 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 scheduled 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, 2022
(Continued)

Note 5. Long-term Debt (Continued)

C. Interest Rate Swap (Continued)

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

D. Changes In Long-term Debt

The beginning balance in the changes in long term debt direct borrowings and direct placements has been restated to exclude \$3,334,642 of prior year debt that was escrow defeased. The new beginning balance is \$10,217,646.

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 10,217,646	\$	\$ 4,673,246	\$ 5,544,400	\$ 1,065,800
Other Debt	2,995,000		2,995,000		
Total Long-term Debt	<u>\$ 13,212,646</u>	<u>\$ 0</u>	<u>\$ 7,668,246</u>	<u>\$ 5,544,400</u>	<u>\$ 1,065,800</u>

E. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 1,065,800	\$ 236,707
2024	1,118,500	184,004
2025	1,173,859	128,646
2026	1,231,941	70,564
2027	954,300	18,332
Totals	<u>\$ 5,544,400</u>	<u>\$ 638,253</u>

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Commitments and Contingencies

The county is involved in multiple lawsuits. 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. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). 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. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for Ky. Ret. Sys. And CERS. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$2,687,597, FY 2021 was \$2,699,489, and FY 2022 was \$3,191,028.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Hazardous (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 accounts. Hazardous members contribute 8 percent of their annual creditable compensation and also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 44.33 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

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

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

Benefits are covered under KRS 78.5536.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Employee Retirement System (Continued)

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

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 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 9. Flexible Spending Account

The Bullitt County Fiscal Court established a flexible spending to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan allows employees to set aside funds through payroll deduction. Flexible savings account funds are 100 percent available as soon as the employee is eligible.

Note 10. Insurance

For the fiscal year ended June 30, 2022, Bullitt County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

BULLITT COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 11. Prior Period Adjustment

The beginning balance in the changes in long term debt borrowings and direct placements has been restated to exclude \$3,334,642 of prior year debt that was escrow defeased. The new beginning balance is \$10, 217,646.

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 14,541,000	\$ 18,226,973	\$ 18,591,822	\$ 364,849
Excess Fees	1,100,000	1,251,741	1,251,741	
Licenses and Permits	1,386,200	1,844,643	2,107,663	263,020
Intergovernmental	569,600	1,122,449	536,457	(585,992)
Charges for Services	35,000	35,000	33,113	(1,887)
Miscellaneous	802,500	2,694,706	2,137,609	(557,097)
Interest	1,000	1,000		(1,000)
Total Receipts	18,435,300	25,176,512	24,658,405	(518,107)
DISBURSEMENTS				
General Government	6,274,112	7,299,325	6,578,939	720,386
Protection to Persons and Property	592,403	610,673	519,416	91,257
General Health and Sanitation	749,973	734,439	564,427	170,012
Social Services	156,000	187,723	184,911	2,812
Recreation and Culture	121,737	125,241	112,640	12,601
Debt Service	1,019,634	8,260,669	3,133,679	5,126,990
Capital Projects	821,771	13,250	13,217	33
Administration	2,890,500	5,479,204	2,488,638	2,990,566
Total Disbursements	12,626,130	22,710,524	13,595,867	9,114,657
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	5,809,170	2,465,988	11,062,538	8,596,550
Other Adjustments to Cash (Uses)				
Payment to Escrow Agent			(5,057,802)	(5,057,802)
Transfers From Other Funds			704,223	704,223
Transfers To Other Funds	(8,940,428)	(8,940,428)	(7,396,071)	1,544,357
Total Other Adjustments to Cash (Uses)	(8,940,428)	(8,940,428)	(11,749,650)	(2,809,222)
Net Change in Fund Balance	(3,131,258)	(6,474,440)	(687,112)	5,787,328
Fund Balance - Beginning	3,131,258	6,865,403	6,863,724	(1,679)
Fund Balance - Ending	\$ 0	\$ 390,963	\$ 6,176,612	\$ 5,785,649

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,615,853	\$ 1,968,234	\$ 2,004,795	\$ 36,561
Miscellaneous	32,500	73,446	70,971	(2,475)
Total Receipts	1,648,353	2,041,680	2,075,766	34,086
DISBURSEMENTS				
Roads	3,196,894	3,370,235	2,752,978	617,257
Administration	722,700	722,700	639,951	82,749
Total Disbursements	3,919,594	4,092,935	3,392,929	700,006
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,271,241)	(2,051,255)	(1,317,163)	734,092
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,271,241	2,271,241	1,537,149	(734,092)
Total Other Adjustments to Cash (Uses)	2,271,241	2,271,241	1,537,149	(734,092)
Net Change in Fund Balance		219,986	219,986	
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 219,986	\$ 219,986	\$ 0

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,513,000	\$ 1,517,729	\$ 1,323,435	\$ (194,294)
Charges for Services	130,000	132,440	52,548	(79,892)
Miscellaneous	236,000	239,539	68,079	(171,460)
Total Receipts	1,879,000	1,889,708	1,444,062	(445,646)
DISBURSEMENTS				
Protection to Persons and Property	3,960,652	4,075,713	3,679,841	395,872
Administration	1,309,000	1,204,647	852,589	352,058
Total Disbursements	5,269,652	5,280,360	4,532,430	747,930
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,390,652)	(3,390,652)	(3,088,368)	302,284
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,390,652	3,390,652	3,088,368	(302,284)
Total Other Adjustments to Cash (Uses)	3,390,652	3,390,652	3,088,368	(302,284)
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 400,000	\$ 479,617	\$ 479,617	\$
Total Receipts	400,000	479,617	479,617	
DISBURSEMENTS				
Protection to Persons and Property	7,900	7,900	2,500	5,400
Roads	1,023,775	1,209,581	898,222	311,359
Total Disbursements	1,031,675	1,217,481	900,722	316,759
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(631,675)	(737,864)	(421,105)	316,759
Net Change in Fund Balance	(631,675)	(737,864)	(421,105)	316,759
Fund Balance - Beginning	631,675	737,864	737,864	
Fund Balance - Ending	\$ 0	\$ 0	\$ 316,759	\$ 316,759

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 100,000	\$ 300,000	\$ 10,500	\$ (289,500)
Total Receipts	100,000	300,000	10,500	(289,500)
DISBURSEMENTS				
Protection to Persons and Property	220,000	251,618	34,066	217,552
Administration		200,000		200,000
Total Disbursements	220,000	451,618	34,066	417,552
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(120,000)	(151,618)	(23,566)	128,052
Net Change in Fund Balance	(120,000)	(151,618)	(23,566)	128,052
Fund Balance - Beginning	120,000	151,618	151,619	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 128,053	\$ 128,053

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	EMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 31,184	\$ 36,746	\$ 5,562
Charges for Services	3,548,001	3,548,001	3,842,630	294,629
Miscellaneous	4,000	1,359,224	127,853	(1,231,371)
Total Receipts	3,562,001	4,938,409	4,007,229	(931,180)
DISBURSEMENTS				
Protection to Persons and Property	4,989,236	7,043,158	6,258,256	784,902
Administration	1,851,300	1,846,623	1,846,622	1
Total Disbursements	6,840,536	8,889,781	8,104,878	784,903
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(3,278,535)	(3,951,372)	(4,097,649)	(146,277)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,278,535	3,278,535	3,954,398	675,863
Total Other Adjustments to Cash (Uses)	3,278,535	3,278,535	3,954,398	675,863
Net Change in Fund Balance		(672,837)	(143,251)	529,586
Fund Balance - Beginning		193,222	143,251	(49,971)
Fund Balance - Ending	\$ 0	\$ (479,615)	\$ 0	\$ 479,615

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 200	\$ 200	\$	\$ (200)
Charges for Services	400	400		(400)
Total Receipts	600	600		(600)
DISBURSEMENTS				
Protection to Persons and Property	2,000	2,000	1,728	272
Total Disbursements	2,000	2,000	1,728	272
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,400)	(1,400)	(1,728)	(328)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,728	1,728
Total Other Adjustments to Cash (Uses)			1,728	1,728
Net Change in Fund Balance	(1,400)	(1,400)		1,400
Fund Balance - Beginning	1,400	1,400	669	(731)
Fund Balance - Ending	\$ 0	\$ 0	\$ 669	\$ 669

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,056,635	\$ 1,169,892	\$ 1,179,252	\$ 9,360
Intergovernmental	400,000	411,154	419,032	7,878
Miscellaneous	125,700	251,164	88,066	(163,098)
Total Receipts	1,582,335	1,832,210	1,686,350	(145,860)
DISBURSEMENTS				
Protection to Persons and Property	1,163,085	1,753,801	1,524,105	229,696
Administration	419,250	457,741	344,563	113,178
Total Disbursements	1,582,335	2,211,542	1,868,668	342,874
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
		(379,332)	(182,318)	197,014
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		247,712	409,310	161,598
Total Other Adjustments to Cash (Uses)		247,712	409,310	161,598
Net Change in Fund Balance		(131,620)	226,992	358,612
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ (131,620)	\$ 226,992	\$ 358,612

BULLITT COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ARPA FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 15,114	\$ 15,318	\$ 204
Interest		491	491	
Total Receipts		15,605	15,809	204
DISBURSEMENTS				
Administration	7,932,303	7,947,908		7,947,908
Total Disbursements	7,932,303	7,947,908		7,947,908
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,932,303)	(7,932,303)	15,809	7,948,112
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(2,299,105)	(2,299,105)
Total Other Adjustments to Cash (Uses)			(2,299,105)	(2,299,105)
Net Change in Fund Balance	(7,932,303)	(7,932,303)	(2,283,296)	5,649,007
Fund Balance - Beginning	7,932,303	7,932,303	7,932,307	4
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,649,011	\$ 5,649,011

BULLITT COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

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

BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

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BULLITT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 2,299,105
Total U.S. Department of Treasury				2,299,105
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs:</i>				
Kentucky Emergency Management Grants	97.042		\$	\$ 47,715
Total U.S. Department of Homeland Security				47,715
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through Kentucky Department of Local Government:</i>				
Community Development Block Grant - Utility Assistance	14.228		\$	\$ 10,105
Total U.S. Department of Housing and Urban Development				10,105
Total Expenditures of Federal Awards			\$ 0	\$ 2,356,925

The accompanying notes are an integral part of this schedule

BULLITT COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Bullitt County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Bullitt County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Bullitt County, Kentucky.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Bullitt County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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BULLITT COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 977,975	\$	\$	\$ 977,975
Land Improvements	215,239			215,239
Buildings and Improvements	33,136,692			33,136,692
Machinery and Equipment	4,098,566	543,951		4,642,517
Vehicles	3,303,029	492,406	17,522	3,777,913
Infrastructure	15,661,747	1,500,749		17,162,496
Total Capital Assets	<u>\$ 57,393,248</u>	<u>\$ 2,537,106</u>	<u>\$ 17,522</u>	<u>\$ 59,912,832</u>

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

June 30, 2022

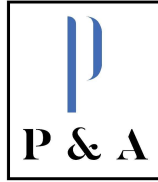
Note 1. Capital Assets

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 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 FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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

Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

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, 2022 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 March 15, 2024, wherein we issued a modified opinion due to the absence of the internal control and management oversight of the Jail Commissary Fund. These issues created an environment in which funds were misappropriated and financial records were manipulated. Therefore, we were unable to obtain sufficient appropriate audit evidence about the receipts, disbursements and fund balance of the Jail Commissary Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Bullitt County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing 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 Bullitt County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-002, 2022-004, 2022-006, 2022-007, 2022-008, 2022-009, and 2022-010 to be material weaknesses.

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)

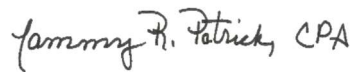
Compliance And Other Matters

As part of obtaining reasonable assurance about whether 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 financial statement. 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 Questioned Costs as items as items 2022-001, 2022-002, 2022-003, 2022-005, 2022-007, 2022-008, 2022-009, and 2022-010.

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,

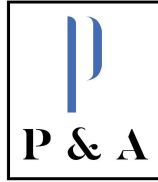
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Tammy R. Patrick, CPA
Patrick & Associates, LLC

March 15, 2024

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance

Independent Auditor's Report

Honorable Jerry Summers, Bullitt County Judge/Executive
Members of the Bullitt County Fiscal Court

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bullitt County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Bullitt County Fiscal Court's major federal programs for the year ended June 30, 2022. The Bullitt County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Bullitt County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bullitt County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bullitt County Fiscal Court's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Bullitt County Fiscal Court's federal programs.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bullitt County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bullitt County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bullitt County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bullitt County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bullitt County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With The Uniform Guidance
(Continued)

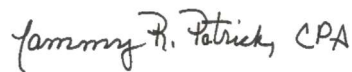
Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

March 15, 2024

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

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BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was prepared in accordance with GAAP:
 Adverse on GAAP and Modified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Bullitt County Fiscal Court Schedule Of Expenditures Of Federal Awards Submitted To Auditors Was Materially Inaccurate And The Bullitt County Fiscal Court Failed To Submit A Copy To The Department For Local Government

The Bullitt County schedule of expenditures of federal awards (SEFA) submitted to the auditors did not accurately report federal grant disbursements for fiscal year ended June 30, 2022. The county treasurer tracks federal grant activity receipts and disbursements to prepare the SEFA each fiscal year based on her records and information provided from the various department heads. The treasurer prepared the SEFA for fiscal year ending June 30, 2022. The total amount of federal expenditures on the SEFA was \$9,394,748 on the original submitted to auditors. That SEFA included programs and amounts from FY 2020, along with a new program but instead of including expenditures it included award amount or receipt amount. Auditors have determined that the total federal expenditures on the SEFA to be \$2,357,005. This resulted in a material overstatement of \$7,037,743. Bullitt County also failed to submit a copy of the SEFA to the Department for Local Government which is required.

The Treasurer mistakenly opened the SEFA from FY 2020 and did not delete the programs and amounts from FY 2020. Additionally, she added the new program with the award amount instead of the expenditure amount. No reason was given for not submitting a copy of the SEFA to the Department for Local Government.

The SEFA originally submitted to auditors was materially overstated by \$7,037,743 and Bullitt County is not in compliance with the Department for Local Government requirements.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the county treasurer to prepare a schedule of expenditures of federal awards and submit this schedule with the fourth quarter report to the Department for Local Government.

Additionally, *OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards* 2 CFR 200.508(b) requires the auditee to "[p]repare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with 200.510 Financial statements." 2 CFR 200.510(b) states, in part, "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with CFR 200.502 Basis for determining Federal awards expended. Additionally, good internal controls dictate the SEFA be complete and accurate.

We recommend the Bullitt County Fiscal Court ensure the SEFA is complete and accurately prepared for each fiscal year federal monies are expended. This will be best achieved by the Treasurer preparing the SEFA and having the department heads double check the numbers reported to ensure the correct amount of the federal portion of expenditures is being reported. We also recommend Bullitt County submit the SEFA with the fourth quarter report to the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer has corrected this action and is updating the SEFA report as federal monies come in and are spent through the fiscal year.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-002 The Bullitt County Fiscal Court Lacks Proper Internal Controls Over Cash Transfers And Failed To Approve All Interfund Transfers Timely And Provide Evidence Of Fiscal Court Approval For Interfund Transfers

This is a repeat finding and was included in the prior year exit conference. Interfund transfers are being made as book entries only on a quarterly basis and some interfund transfers are not even booked as transfers even though the electronic transfer occurred. The General, Road, Jail, Federal Grant, EMS, and 911 funds share one bank account called the disbursement account. This account does not include the Forest Fire, LGEA, and ARPA funds. Those funds each have their own bank account. No evidence of fiscal court approval prior to transfers being made could be obtained from the county clerk's office or the treasurer's office for the majority of the interfund transfers for the disbursement account funds. Additionally, expenditures from the Forest Fire, LGEA, and ARPA funds are not paid out of those bank accounts. The fiscal court is posting the expenditures in the funds but, electronically transferring the funds to the disbursement account where they are written on disbursement account checks for payment. No interfund transfers are posted and no approvals for the electronic transfers are made, only the expenditure in the claims lists that the fiscal court approves.

For the disbursement account funds, interfund transfer entries are made on a quarterly basis in order to bring each fund balance back to a zero amount from a negative balance, instead of doing interfund transfers prior to expenditures being made as required by statute. The interfund transfer entries are presented as part of the financial statement package presentation at the fiscal court meetings and are approved at that time. However, no amounts or the funds involved are included in the minutes, only a note that they are on file in the county clerk's office. For the Forest Fire, LGEA, and ARPA funds, electronic fund transfers are being made with no prior approval at all.

Interfund transfers are only being made on a quarterly basis causing negative expenditure line items that exceed budgeted amounts in direct violation of Kentucky law. Additionally, expenditures from the Forest Fire, LGEA, and ARPA funds should be written as a check out of those funds bank accounts and not electronically transferred to the disbursement account for payment.

KRS 68.210 gives the Department for Local Government the authority to prescribe a uniform accounting system for all county governments to follow. This uniform system of accounts is outlined in the Budget & Policy Manual prepared by the Department for Local Government. Per the Department for Local Government manual, "All transfers require a court order". Additionally, KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void."

Strong internal controls over cash transfers are essential for providing protection from errors or nonauthorized transfers of funds occurring and not being detected.

We recommend the Bullitt County Fiscal Court monitor their budget to ensure expenditures do not exceed budget appropriations. Interfund transfers should be approved prior to expenditures being made that will cause the county to exceed budgeted appropriations. We recommend that Interfund transfers be included in the fiscal court minutes and include at least the amounts for each as well as the funds involved. We also recommend any expenditures out of the Forest Fire, LGEA, and ARPA be paid with a check out of those bank accounts, and not electronically transfer to the disbursement account for payment.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Transfer reports are now approved along with when financial statements are presented to Fiscal Court on a monthly basis.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-003 The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required

This is a repeat finding and was included in the prior year audit report as finding 2021-003. During testing of expenditures, auditors noted that purchase orders were prepared after the invoice was received or not at all. The accounts payable clerk would assign a purchase order number to the invoice. The invoices from various departments would be sent to the accounts payable clerk to enter in the system. Purchase orders should be prepared prior to invoice being received.

The purchase order system utilized by the county tracks all invoices to be paid. Invoices tested had appropriation account code indicated, stamped with date received, claims list was prepared and approved by fiscal court, and appropriation ledger was updated on a regular basis. However, purchase order listing as required was not prepared and expenditures to be paid were not checked to see if they exceeded available line-item balance.

By not properly following the purchase order system as required, the county exceeded budgeted line items during the year which is prohibited. Claim checks should not be signed unless the following conditions exist: (1) Claim reviewed by the fiscal court; (2) Sufficient fund balance and adequate cash in the bank to cover the check; and (3) Adequate free balance in a properly budgeted appropriation account to cover the check.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The County Budget Preparation and State Local Finance Officer Policy Manual states, "PURCHASE ORDER JOURNAL - A daily, chronological listing of all purchase orders issued. The journal should indicate the P.O. number, issue approved by, appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of the invoice, date claim reviewed by fiscal court, date paid, and amount paid." The Department for Local Government guidelines state that the main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. The expenditure to be paid cannot exceed available line item without prior approval of transfer.

We recommend the fiscal court establish a well planned and executed purchase order system, which includes a purchase order journal. The purchase order journal should contain at least the minimum required information such as purchase order number, issued approved by, appropriation account code, vendor name, date invoice received, amount of invoice, date claim reviewed by fiscal court, date paid, and amount paid. We also recommend the fiscal court monitor their budget to ensure expenditures do not exceed budgeted appropriations.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This has been corrected. Change of software in July of 2022. Started Fiscal Soft.

2022-004 The Bullitt County Fiscal Court Did Not Have A Written Policy And Adequate Controls Over The Fuel FOB System

This is a repeat finding and was included in the prior year audit report as finding 2021-002. The Bullitt County Fiscal Court did not have a written policy and adequate controls over the use of fuel by all employees at the road department, Jail, PVA, and Park's and Recreation at the county's fuel station located at the road department. The county fuel station utilizes a key fob system to track fuel usage that requires a key fob and the employee's pin number. During fiscal year 2022 approximately \$156,983 of fuel was dispensed through use of the fuel key fob system in order for the county to operate its equipment and vehicles.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-004 The Bullitt County Fiscal Court Did Not Have A Written Policy And Adequate Controls Over The Fuel FOB System (Continued)

All vehicles and equipment used by the road department, Jail, PVA, and Park's and Recreation are assigned a fuel key fob. Each department has an authorized user list, these employees are assigned a pin number that will work with any vehicle assigned to their department.

There were no written policies or procedures for the following:

- Authorization to request new key fuel fobs or pin numbers for employees to allow them access to fuel station.
- Reconciling fuel transactions to the monthly statement received from the vendor by each department.
- Correcting reconciliation errors when noted.
- Cancelling pin numbers for employees when they are no longer county employees.
- Maintaining an inventory of inactive key fuel fobs or fuel key fobs assigned to employees.
- Ensuring that each employee was assigned their own pin and their own fuel key fob, if applicable.
- Requirement for employees to sign an agreement or acknowledgment for receiving a fuel key fob and pin number.

Review of the internal controls over the use of fuel by county employees at the county's fuel station shows a lack of controls and a breakdown in communication within the county concerning the management of the fuel station and fuel key fob system.

Failure to have written policies and procedures and implementation and monitoring of those controls over the use of the fuel station and the fuel key fob system by county employees at the county's fuel station leaves this process vulnerable to threats of fraud, waste and abuse and could result in the misappropriation of assets.

Good internal controls for the fuel station and fuel key fob system should require written policies to authorize the use of the fuel station and fuel fob system be implemented and monitored. Fuel transactions on invoices should be reviewed and reconciled to source documents and analyzed for accuracy, compliance with budget amounts and unusual trends. This review should be documented with any errors and their subsequent correction noted. Unique pin numbers should be assigned to each employee and fuel key fob assignments should be tracked to maintain the fuel key fob system's integrity and to ensure fuel key fobs and pin numbers are accounted for and deactivated when circumstances warrant.

We recommend the Bullitt County Fiscal Court develop and implement written policies and procedures for the fuel key fob system, and monitor control procedures over the county's fuel station and fuel fob system to mitigate the risk resulting from the lack of controls and oversight over the fuel station and fuel fob system.

Views of Responsible Official and Planned Corrective Action:

County Judge Executive's Response: Corrected in 2022. Only Detention Center and Road Department employees have access.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-005 The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked

This is a repeat finding and was included in the prior year audit report as finding 2021-001. Bullitt County employee timesheets do not accurately reflect actual hours worked by employees. The following weaknesses were noted during testing procedures:

- Most employees work from 8:00 a.m. until 4:00 p.m. daily. The employees leave during this time for a lunch break. However, the employee's timesheets show time worked 8 hours each day, which would include the lunch break. The only exception is the road department timesheets reflected 7:00 a.m. until 3:30 p.m. each day allowing for a thirty-minute lunch and claimed 8 hours worked. The majority of employees that are paid on an hourly basis are being paid for time spent not working.
- Salaried employees that work overtime are not accounting for overtime on their timesheets. The county only compensates them for overtime if the county judge/executive declares an emergency and overtime pay would be for all hours over forty during a given workweek. Salaried employees tested all had 8 hours a day on their timesheets with no lunch period noted.

The county's personnel policy is not clear in defining what hours constitute a full work day, including breaks and lunch periods. If the county wants to allow employees to work through lunch and be paid for that, there needs to be a clear policy in place to allow the employee and employer to enter into a mutual agreement for such an arrangement. An updated employee handbook effective August 1, 2021, clarified what constitutes a standard work week, however it does not address breaks and lunch breaks.

Without a clear definition of when employees are on work time versus break time, employees could end up being paid for hours not actually worked.

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 requires the following records to be kept by an employer for each employee:

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

We recommend the fiscal court review their personnel policy to ensure it clearly addresses breaks and lunch breaks for all employees and to document lunch breaks on timesheets, and that hourly employees only get paid for actual hours worked as documented on timesheets.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Corrected in 2021 with new Timeclock Plus system.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-006 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Jail Commissary Fund

This is a repeat finding and was included in the prior year audit report as finding 2021-004. The Bullitt County Detention Center lacked internal controls and adequate segregation of duties over all accounting functions related to the jail commissary fund. One employee collected funds, issued receipts, posted transactions to the ledgers, performed the monthly bank reconciliations, and had complete control over all bank accounts transferring monies between the jail commissary account and the inmate account. Checkout sheets were not always prepared and when they were prepared the same employee would prepare as well as make the deposits. In addition, two kiosk machines were reconciled by the one employee with little or no documentation by the former jailer or other designee that the amount of cash was properly recorded and deposited. Deposits were not made daily and receipts issued were not accounted for in numerical sequence.

For disbursements, the bookkeeper prepared all checks and posted to the ledger. The invoices were not stamped with received date or cancelled when paid. There was not always documentation that invoices or other supporting documentation was approved prior to payment however, two signatures are required. Oversight by either the former jailer or another employee was not documented for these activities.

The former jailer did not implement adequate policies and procedures to ensure effective internal controls to ensure proper segregation of duties.

A lack of internal controls and segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. As a result, the one employee was able to perform the following from the jail commissary account as noted in report comments 2022-007 and 2022-009:

- Write three checks to himself totaling \$5,500, posting two checks to ledger as food. One check did not get posted to the disbursement ledger.
- Purchase a Walmart shopping card for \$250 along with items for the jail commissary, posting in ledger only the items purchased and not the shopping card.
- Purchase an item from DELL through a tele-check for \$1,481 out of the commissary bank account for which there is no invoice and not posted to the ledger. Jail personnel were unable to verify the purchase.
- Manipulate the jail commissary ledger and bank reconciliations and disposed of records.
- Manipulate the bank accounts by transferring funds back and forth between jail commissary and jail inmate account.

Good internal controls dictate that the collection of receipts, recording of transactions, and financial reporting functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information. If segregation of duties is not possible, implementation of strong compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting.

We recommend the detention center segregate duties where possible. If segregation of duties is not possible, the detention center should offset the lack of adequate segregation of duties by implementing compensating controls, such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the daily deposits to the daily checkouts and the receipts ledger, reconciling any differences. Invoices should be cancelled with the date paid and check number and all invoices should be reviewed and compared to checks that are written documenting that review. A comparison of the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer. Initialing and dating the bank reconciliations, bank deposits, daily checkout sheets, receipts and disbursements ledgers, and reports can document this review.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-006 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Jail Commissary Fund (Continued)

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Moving forward, all checks will require the signatures of two individuals. The preparer will issue the check, and a second authorized signer will be responsible for comparing the check with the corresponding invoice before signing.

Orders will be authorized by the Jailer or their designated employee, and either of them will initial the invoice as authorization for payment.

The check issuing employee (Bookkeeper) is not responsible for opening the mail. Instead, all invoices will be directed to the Jailer or their designated employee for approval before payment is issued.

Invoices will be stamped upon receipt with the date, and upon payment, the date and check number will be added.

Kiosk deposits are jointly handled by two employees, including the Bookkeeper and another designated staff member. They verify the deposit against both the cash deposit ticket and the printed report for accuracy. Both employees are signing the deposit ticket for verification.

All incoming jail checks, money orders, and HIP payments will be provided with a numbered receipt for tracking purposes. A second employee will verify the monies, receipt no. against the printed report and sign the deposit ticket. These transactions will be documented on the daily cash out sheet and included in the daily deposits if applicable.

The deposit will be transported to the bank by the Jailer or his designated employee in a locked bag. The depositing employee does not have access to the key.

Either the Jailer or their assigned representative will conduct a daily reconciliation of the cash out sheet, ensuring accuracy by cross referencing it with attached receipts. Upon verification, they will initial the document.

The Jailer or their designated representative will be responsible for opening the bank statements received in the mail. They will meticulously review the statements for inaccuracies or suspicious transactions and initial/date the statement before handing it to the Bookkeeper. Following the monthly reconciliation performed by the Bookkeeper, they will cross-check the bank statement with the monthly reconciliation report and initial/date it for verification.

2022-007 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Internal Controls In Place To Properly Account For Receipts And Kiosk Transactions

This is a repeat finding and was included in the prior year audit report as finding 2021-005. The former jailer allowed the one employee to have complete control over the jail commissary and the jail inmate accounts. The bookkeeper was allowed to collect funds, issue receipts, post to ledgers, make deposits, prepare bank reconciliations, and had complete control over all bank accounts transferring monies between the jail commissary account and the inmate account.

Auditors reviewed one week of daily checkout procedures and based on that review auditors determined that:

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-007 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Internal Controls In Place To Properly Account For Receipts And Kiosk Transactions (Continued)

- Receipts were not batched and deposited daily as required.
- Numerical receipts were not accounted for properly and copies of voided receipts were not kept with the checkout sheets.
- Checkout sheets did not separate cash from checks.
- Deposit tickets included with checkout sheets were blank.
- Kiosk machines were reconciled by the one employee with no documentation by the former jailer or other designee to verify the amount of cash was properly accounted for and deposited.
- Kiosk machines were not emptied daily, some contained over two weeks of receipts.

The former Bullitt County Jailer had not implemented effective policies and procedures to properly outline requirements for jail commissary and inmate account daily receipts. There was no management oversight in place over inmate and commissary accounting functions to ensure receipts are batched and deposited daily and that adequate policies were in place for kiosk transactions.

As a result, the lack of management oversight, supervision, proper internal controls, and review resulted in inadequate accounting for daily receipts and reporting. The one employee was able to manipulate ledgers and force them to balance and destroy records.

Good internal controls dictate that policies and procedures be implemented for jail commissary and inmate account daily receipts to ensure compliance with statutes and policy manuals.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's (DLG) County Budget Preparation and State Local Finance Officer Policy

Manual which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. This manual includes the following accounting and reporting guidance:

“DAILY CHECK-OUT SHEET - Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the check-out sheet. The total of each category should be entered on the appropriate space provided. The amount deposited line should equal the amount of money on hand at the end of each day less start-up cash. A maximum of fifty dollars shall be used for start-up for the next business day. All daily detail (deposit form, cash receipts, etc.) should be attached to the form. If the total daily deposit is correct, post to the Jail Commissary Fund Receipts Journal.”

“JAIL COMMISSARY RECEIPTS JOURNAL - Receipts should be posted to this journal on a daily basis. The total amount category should agree with the amount deposited line on the Daily Check-Out Sheet.”

We recommend the Bullitt County Jailer implement strong oversight, internal controls, supervision, and review to ensure receipts are batched and deposited daily. Additionally, strong internal control needs to be implemented for kiosk withdrawals to ensure that cash is properly accounted for and deposited intact the same day. This would require that two employees open the kiosk and the jailer or designee verify the deposit by initialing the deposit and daily checkout sheet. The jailer should comply with the applicable statutes by maintaining the required records.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-007 The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Internal Controls In Place To Properly Account For Receipts And Kiosk Transactions (Continued)

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: All incoming Jail Checks, Money Orders and HIP payments will be provided with a numbered receipt for tracking purposes. A second employee will verify the Monies, Receipt No against the printed report and sign the deposit ticket. These transactions will be documented on the daily cash out sheet and included in the daily deposits if applicable.

Kiosk deposits are jointly handled by two employees, including the Bookkeeper and another designated staff member. They verify the deposit against both the cash deposit ticket and the printed report for accuracy. Both employees are signing the Deposit ticket for verification.

The deposit will be transported to the bank by the Jailer or his designated employee in a locked bag. The depositing employees does not have access to the key.

The deposit ticket, stamped by the bank, along with the daily check-out sheets, daily deposit sheet, and corresponding reports with receipts, will be organized together and filed in a monthly archive.

2022-008 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Inmate Trust Account

This is a repeat finding and was included in the prior year audit report as finding 2021-006. The Bullitt County Detention Center lacked internal controls and adequate segregation of duties over all accounting functions related to the inmate trust account. This account is a custodial trust account used to maintain funds deposited by or on behalf of inmates. Funds deposited by inmates are reduced for allowable jail costs and fees as well as inmate purchases from the jail commissary. At the time of an inmate's release, if the inmate owes no additional amounts, the amount remaining in the inmates account is refunded to the inmate upon their release. The one employee collected funds, issued receipts, posted transactions to the ledgers, performed monthly bank reconciliations, prepared checks, signed checks, and had complete control over all bank accounts transferring monies between the jail commissary and the inmate account. Kiosk machines were reconciled by the one employee with little or no documentation by the former jailer or other designee to verify the amount of cash was properly accounted for and deposited. Kiosk machines were not emptied daily, some contained over two weeks of receipts.

The former jailer failed to properly implement internal controls and provide sufficient management oversight over the kiosk accounting process, daily deposits, inmate reports maintained, refunds made to inmates upon release, separate accounting for jail inmate trust bank account, and proper financial statement reporting.

A lack of internal controls and segregation of duties over the accounting functions for the inmate trust account increases the risk of misappropriation of assets, undetected errors, fraud, and inaccurate financial reporting. As a result, the bookkeeper was able to perform the following from the inmate account as noted in report comments 2022-007 and 2022-009:

- Manipulate the inmate account ledger and bank reconciliations and dispose of records.
- Manipulate the bank accounts by transferring funds back and forth between jail commissary and inmate account.
- Reduce the amounts paid to the fiscal court for fees collected on their behalf.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-008 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Inmate Trust Account (Continued)

Good internal controls dictate that the collection of receipts, recording of transactions, and financial reporting functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) County's Budget Preparation and State Local Finance Officer Policy Manual requires jailers to maintain monthly cash reconciliations, daily checkout sheets, and disbursement ledgers. DLG requirements assist jailers in ensuring that records are complete and accurate.

We recommend the detention center implement procedures to strengthen controls over the inmate account and associated accounting functions which include the following:

- Kiosk machines should be emptied daily by two people and a daily checkout sheet prepared.
- All receipts should be deposited daily and deposit tickets should be prepared and reviewed by an independent person to ensure the amount of the deposit agrees to the daily checkout sheet and cash and checks listed on the deposit ticket.
- After the deposit ticket is prepared and reviewed, a person other than the one taking the deposit to the bank should agree the deposit to the daily checkout sheet and receipts ledger. This should be documented by initialing the deposit, daily checkout, and receipts ledger. The deposit should be attached to the daily checkout sheet after review.
- At a minimum, on a monthly basis, a person independent of the accounting function should review deposits and compare to the inmate fund in the accounting system to ensure accuracy.
- The inmate account is considered a trust account and should reconcile to zero each month. Bank reconciliations should be performed monthly and reviewed by a person independent of the accounting process.
- All disbursements should be reviewed by a person independent of the accounting function. The jailer should implement procedures to require the inmates to sign a receipt documenting the return of their fund balance upon release.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: As of March 15th, 2024, the Kiosk Machines are emptied daily by a team of two employees, and the deposit tickets are meticulously verified and signed by both employees.

The deposit will be transported to the bank by either the Jailer or another designated employee in a locked bag. The employee transporting the deposit will not have access to its contents during transit.

Moving forward, all checks will require the signatures of two individuals. The preparer will issue the check, and a second authorized signer will be responsible for comparing the check with the corresponding invoice before signing.

Orders will be authorized by the Jailer or their designated employee, and either of them will initial the invoice as authorization for payment.

The check issuing employee (Bookkeeper) is not responsible for opening the mail. Instead, all invoices will be directed to the Jailer or their designated employee for approval before payment is issued.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-008 The Bullitt County Detention Center Did Not Have Adequate Internal Controls And Segregation Of Duties Over The Inmate Trust Account (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

Monthly, either the Jailer or a designated employee will reconcile the bank statement against the monthly reconciliation report to ensure a balanced account, with no discrepancies.

Since the appointment of the Bookkeeper in November 2023, the accounts have been reconciled monthly.

2022-009 The Bullitt County Detention Center Did Not Have Adequate Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-007. The Bullitt County Detention Center did not have adequate controls over disbursements. The former jailer allowed the one employee to purchase items at stores, order items online, write checks, sign checks, post to the ledgers, prepare bank reconciliations, and had complete control over all bank accounts transferring monies between the jail commissary account and the inmate account.

During testing of jail commissary disbursements auditors noted the following:

- The one employee wrote three checks to himself totaling \$5,500, posting two to the ledger as food. The last check was never posted to ledger.
- The one employee purchased items at Walmart that included \$253 shopping card and activation fee posting to the ledger as inmate shoes.
- The one employee purchased an item from DELL using a tele-check for \$1,481 that was not posted to the ledger and jail personnel could not find an invoice or determine what was purchased.
- Two instances where sales tax was paid on purchases made for the detention center totaling \$86.
- Invoices were not always cancelled with the date received, date paid, and check number.

It was also noted that payments to the fiscal court for fees collected on their behalf paid out of the inmate account during fiscal year 2022 from the period July 2021 through January 2022 ranged from \$13,000 to \$18,000 per month. For the period of February 2022 through June 2022 the payments dramatically dropped to a range of \$1,500 to \$7,000 per month.

The former Bullitt County Jailer had not implemented effective policies and procedures to properly outline requirements for jail commissary and inmate account disbursements. There was no management oversight in place over inmate and commissary accounting functions to ensure disbursements were reviewed prior to purchase or writing of checks. There was no review of ledgers with the bank statements to determine they agreed.

As a result, of the lack of management oversight, supervision, proper internal controls, and review resulted inadequate accounting for disbursements and reporting. The employee was able to manipulate ledgers and force them to balance, manipulate and destroy records, write checks to himself, purchase a shopping card from Walmart, make an online purchase from DELL, and reduce the amount for payment to fiscal court for fees collected. The County Budget Preparation and State Local Finance Officer Policy Manual states that on-line payments directly from a bank account, are prohibited. The Department for Local Government requires the official to date stamp the vendor's original bill or invoice when received and retain a copy for their own records.

Strong internal controls dictate that invoices or other documents should be effectively cancelled in order to prevent duplicate payments. The Department of Revenue issued a tax exemption number for Bullitt County Fiscal Court that authorizes purchases of tangible personal property, or services including utilities, without paying the vendor for sales or usage tax with respect to such purchases.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-009 The Bullitt County Detention Center Did Not Have Adequate Internal Controls Over Disbursements (Continued)

We recommend the jailer implement internal controls over disbursements for the jail commissary and the inmate account. Strong supervision should be made in ordering, purchasing, receiving, and payment of invoices. Invoices should be reviewed and contain date invoice received, date reviewed, and check number for payment. A review of the ledgers to the bank statements should be made and any errors corrected. All original invoices should be maintained. We also recommend the jailer refrain from paying sales tax on invoices.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Orders will be authorized by the Jailer or their designated employee, and either of them will initial the invoice as authorization for payment.

The check issuing employee (Bookkeeper) is not responsible for opening the mail. Instead, all invoices will be directed to the Jailer or their designated employee for approval before payment is issued.

Invoices will be stamped upon receipt with the date, and upon payment, the date and check number will be added.

Moving forward, all checks will require the signatures of two individuals. The preparer will issue the check, and a second authorized signer will be responsible for comparing the check with the corresponding invoice before signing.

The second check signer will also verify that the check numbers are sequential and that no checks are missing or unaccounted for in the checkbook/register before signing.

After verification of monthly activities by the Jailer or designated employee, invoices are organized in order of the issued check number. They are then filed together with the account statement and reconciliation sheet in a monthly archive.

All invoices undergo scrutiny for sales tax charges, and any discrepancies found will be corrected accordingly.

2022-010 The Bullitt County Detention Center Failed To Retain All Sales Tax Returns For Sales Tax Paid During Fiscal Year 2022

This is a repeat finding and was included in the prior year exit conference. The Bullitt County Detention Center failed to retain all sales tax returns for sales tax collected out of its inmate account during fiscal year 2022. Sales tax was due on a quarterly basis and payment is to be remitted by the 20th of the following month of the quarter just ended. During testing auditors requested all sales tax returns and were informed that all returns could not be located. Auditor recapped all payments to the Kentucky Revenue Department and noted the following:

- The fiscal year 2021 4th quarter (4/1/21-6/30/21) was paid on July 7, 2021 with a check.
- The fiscal year 2022 1st quarter (7/1/21-9/30/21) was paid on September 29, 2021 with a check.
- On December 17, 2021 two payments were made via ACH, these appear to be make up sales tax payments from FY 2020. Auditors could not determine due to no sales tax returns.
- The fiscal year 2022 2nd quarter (10/1/21-12/31/21) was paid via ACH on January 5, 2022.
- The fiscal year 2022 3rd quarter (1/1/22-3/31/22) was paid via ACH on April 5, 2022.

Due to a lack of management oversight, the detention center and the former jailer were unaware that the bookkeeper had not retained all sales tax returns.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section II: Financial Statement Findings (Continued)

2022-010 The Bullitt County Detention Center Failed To Retain All Sales Tax Returns For Sales Tax Paid During Fiscal Year 2022 (Continued)

Payments to the Kentucky Revenue Department could not be verified due to a lack of sales tax returns. For the sales tax that was paid in December 2021 there most likely would have been penalties and interest that should have been reported.

According to KRS 139.200 Imposition of Sales Tax states in part "A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from: (1) Retail sales of: (a) Tangible personal property, regardless of the method of delivery, made within this Commonwealth. KRS 139.590 allows for returns to be filed other than monthly periods and KRS 139.485 Exemption of food items -- Definitions. (1) Except as otherwise provided, the terms "retail sale," "use," "storage," and "consumption" as used in this chapter shall not include the sale, use, storage or consumption of food and food ingredients for human consumption.

Penalties for later payments are assessed Per KRS. 131.180 Uniform Civil Penalty Act. The provisions of this section shall be known as the "Uniform Civil Penalty Act." Penalties to be assessed in accordance with this section shall apply as follows unless otherwise provided by law: (1) Any taxpayer who files any return or report after the due date prescribed for filing or the due date as extended by the department shall, unless it is shown to the satisfaction of the department that the failure is due to reasonable cause, pay a penalty equal to two percent (2%) of the total tax due for each thirty (30) days or fraction thereof that the report or return is late. The total penalty levied pursuant to this subsection shall not exceed twenty percent (20%) of the total tax due; however, the penalty shall not be less than ten dollars (\$10).

We recommend the Bullitt County Detention Center and the jailer retain all copies of sales tax returns and to pay sales tax as required to avoid any penalties and interest. Strong management oversight should be implemented to include review of returns prior to filing and initialing returns to document review.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: All outstanding Tax Returns for August to December 2023 have been filed, and the relevant documents are retained for verification and proof. Sales taxes are filed punctually monthly, and corresponding documents are filed accordingly each month. Additionally, they are stored in a separate file for convenient access.

Section III: Federal Award Findings And Questioned Costs

None.

BULLITT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Bullitt County Employee Timesheets Do Not Reflect Actual Hours Worked	Partially Resolved	See corrective action for current year finding 2022-005
2021-002	The Bullitt County Fiscal Court Did Not Have Adequate Controls Over The Fuel FOB System	Partially Resolved	See corrective action for current year finding 2022-004
2021-003	The Bullitt County Fiscal Court Did Not Properly Utilize The Purchase Order System As Required	Not Corrected	See finding 2022-003
2021-004	The Bullitt County Detention Center Did Not Have Segregation Of Duties Over The Jail Commissary Fund	Not Corrected	See finding 2022-006
2021-005	The Bullitt County Detention Center Does Not Make Daily Deposits Or Have Adequate Controls In Place To Properly Account For Kiosk Transactions	Not Corrected	See finding 2022-007
2021-006	The Bullitt County Jailer Failed To Properly Implement Controls Over The Inmate Trust Account	Not Corrected	See finding 2022-008
2021-007	The Bullitt County Detention Center Did Not Have Adequate Controls Over Disbursements	Not Corrected	See finding 2022-009

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

BULLITT COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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**JERRY SUMMERS
BULLITT COUNTY JUDGE EXECUTIVE**



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

For The Year Ended June 30, 2022

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

A handwritten signature in blue ink, reading "Jerral Summers", is written over a horizontal line.

Jerral Summers
County Judge/Executive

A handwritten signature in blue ink, reading "Kenann Choate", is written over a horizontal line.

Kenann Choate
County Treasurer

