

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Nelson County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Nelson County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

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

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

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
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Members of the Nelson County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2018, on our consideration of the Nelson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelson County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Nelson County Fiscal Court Has Weak Controls And Oversight Over Off-Site Collections
- 2017-002 The Jail Is Not Following Proper Procedures Over Receipts

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 28, 2018

NELSON COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Dean Watts	County Judge/Executive
Keith Metcalfe	Magistrate
Sam Hutchins	Magistrate
Bernard Ice	Magistrate
Jeff Lear	Magistrate
Jerry Hahn	Magistrate

Other Elected Officials:

Matthew Hite	County Attorney
Dorcas Figg	Jailer
Elaine Filiatreau	County Clerk
Diane Thompson	Circuit Court Clerk
Ed Mattingly	Sheriff
Barbara Tichenor	Property Valuation Administrator
Rayfield Houghlin	Coroner

Appointed Personnel:

Rhonda Fenwick	County Treasurer
Brad Spaulding	County Engineer
John Greenwell	Landfill Manager
Logan Spaulding	Building Inspection Supervisor
Joe Prewitt	EMS Director
Teresa Smith	Occupational Tax Administrator
Kelly Deaver	Personnel/Payroll Officer

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 6,022,340	\$	\$
Excess Fees	739,020		
Licenses and Permits	586,406		
Intergovernmental	583,284	2,129,428	568,566
Charges for Services	8,160		84,116
Miscellaneous	465,880	6,648	21,044
Interest	847		
Total Receipts	<u>8,405,937</u>	<u>2,136,076</u>	<u>673,726</u>
DISBURSEMENTS			
General Government	1,404,049		
Protection to Persons and Property	2,176,141		1,399,348
General Health and Sanitation	852,937		
Social Services	161,644		
Recreation and Culture	539,582		
Roads	54,014	2,386,671	
Airports			
Bus Services	186,116		
Debt Service	138,998		
Capital Projects			
Administration	1,670,732	386,692	300,312
Total Disbursements	<u>7,184,213</u>	<u>2,773,363</u>	<u>1,699,660</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,221,724</u>	<u>(637,287)</u>	<u>(1,025,934)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	500,000	826,000	1,025,934
Transfers To Other Funds	(1,025,934)		
Total Other Adjustments to Cash (Uses)	<u>(525,934)</u>	<u>826,000</u>	<u>1,025,934</u>
Net Change in Fund Balance	695,790	188,713	
Fund Balance - Beginning (Restated)	892,368	522,590	
Fund Balance - Ending	<u>\$ 1,588,158</u>	<u>\$ 711,303</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 1,639,804	\$ 711,303	\$
Less: Outstanding Checks	(51,646)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 1,588,158</u>	<u>\$ 711,303</u>	<u>\$ 0</u>

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

NELSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fund
\$	\$	\$	\$	\$ 1,261,668
179,512	10,000	56,819	4,000	
	2,145,711	2,167,195	2,574,499	
	20,033	10,000	61,910	
			21,596	
<u>179,512</u>	<u>2,175,744</u>	<u>2,234,014</u>	<u>2,662,005</u>	<u>1,261,668</u>
				138,589
	2,525,911			81,873
		1,656,406	1,553,194	
120,852				4,800
		292,832	377,093	13,606
<u>120,852</u>	<u>2,525,911</u>	<u>1,949,238</u>	<u>1,930,287</u>	<u>238,868</u>
58,660	(350,167)	284,776	731,718	1,022,800
	255,000			
(100,000)		(115,000)	(202,700)	(1,166,000)
(100,000)	255,000	(115,000)	(202,700)	(1,166,000)
(41,340)	(95,167)	169,776	529,018	(143,200)
329,348	279,338	334,559	5,531,416	350,459
<u>\$ 288,008</u>	<u>\$ 184,171</u>	<u>\$ 504,335</u>	<u>\$ 6,060,434</u>	<u>\$ 207,259</u>
\$ 288,008	\$ 184,171	\$ 525,125	\$ 2,168,900	\$ 208,788
		(20,790)		(1,529)
			3,891,534	
<u>\$ 288,008</u>	<u>\$ 184,171</u>	<u>\$ 504,335</u>	<u>\$ 6,060,434</u>	<u>\$ 207,259</u>

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

NELSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2017
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Improvements Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 7,284,008
Excess Fees			739,020
Licenses and Permits			586,406
Intergovernmental			3,531,609
Charges for Services			6,979,681
Miscellaneous		281,665	867,180
Interest	1,198,363	55	1,220,861
Total Receipts	<u>1,198,363</u>	<u>281,720</u>	<u>21,208,765</u>
DISBURSEMENTS			
General Government	32,587		1,575,225
Protection to Persons and Property		239,653	6,422,926
General Health and Sanitation			4,062,537
Social Services			161,644
Recreation and Culture			539,582
Roads			2,561,537
Airports			4,800
Bus Services			186,116
Debt Service	902,340		1,041,338
Capital Projects	339,235		339,235
Administration			3,041,267
Total Disbursements	<u>1,274,162</u>	<u>239,653</u>	<u>19,936,207</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(75,799)</u>	<u>42,067</u>	<u>1,272,558</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	2,700		2,609,634
Transfers To Other Funds			(2,609,634)
Total Other Adjustments to Cash (Uses)	<u>2,700</u>		
Net Change in Fund Balance	(73,099)	42,067	1,272,558
Fund Balance - Beginning (Restated)	73,101	34,534	8,347,713
Fund Balance - Ending	<u>\$ 2</u>	<u>\$ 76,601</u>	<u>\$ 9,620,271</u>
Composition of Fund Balance			
Bank Balance	\$ 2	\$ 76,601	\$ 5,802,702
Less: Outstanding Checks			(73,965)
Certificates of Deposit			3,891,534
Fund Balance - Ending	<u>\$ 2</u>	<u>\$ 76,601</u>	<u>\$ 9,620,271</u>

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

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TO THE FINANCIAL STATEMENT**

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**NELSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (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.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the receipts and disbursements in providing ambulance services to the public. The primary source of receipts for this fund is patient fees.

Solid Waste Fund - The primary purpose of this fund is to account for the activities of the solid waste collection services outside the incorporated city boundaries for county residents, and dead animal removal for commercial entities and the public. The primary source of receipts for this fund is garbage collection fees.

Landfill Fund - The primary purpose of this fund is to account for the operation of the landfill and roll-off container collection services. The primary source of receipts for this fund is landfill disposal fees.

Occupational License Fund - The primary purpose of this fund is to account for all activity under the Occupational License Fee Ordinance, effective January 1, 1991. The maximum fee paid by any individual, partner, shareholder, or regular corporation is \$75 per year. Disbursements provide support for emergency services, additional funding for road maintenance, and economic development.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Improvements Corporation Fund - The primary purpose of this fund is to account for the leasing, maintenance, and debt service on various county properties leased to commercial entities, other governmental agencies, and the public. This fund accounts for the activity of both the Nelson County Public Properties Corporation and the Nelson County Public Improvements Corporation. The primary source of receipts is rental income. The Department for Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund. The Department for Local Government does not require the fiscal court to budget this fund.

D. Budgetary Information

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

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

The state local finance officer does not require the public improvements corporation fund to be budgeted. However, the Nelson County Fiscal court includes the fund in the annual budget.

E. Nelson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Nelson 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 Nelson 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.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. On June 30, 2017, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$156,390

Note 3. Transfers

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

	General Fund	Landfill Fund	LGEA Fund	Solid Waste Fund	Occupational License Fund	Total Transfers In
General Fund	\$	\$ 200,000	\$	\$ 50,000	\$ 250,000	\$ 500,000
Road Fund			100,000	65,000	661,000	826,000
Jail Fund	1,025,934					1,025,934
Public Improvements Corporation Fund		2,700				2,700
Emergency Medical Services Fund					255,000	255,000
Total Transfers Out	\$1,025,934	\$ 202,700	\$100,000	\$ 115,000	\$ 1,166,000	\$ 2,609,634

Reason for transfers:

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

Note 4. Agency Trust Funds

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

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

Note 4. Agency Trust Funds (Continued)

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$21,958. This fund is maintained at the jail and is accounted for within the jail commissary fund.

Encroachment Fund - This fund accounts for funds received for encroachment permits administered by the county. The funds are held in an escrow account. The balance in the encroachment fund as of June 30, 2017, was \$55,000.

Note 5. Land Held For Resale

In July 2004, the Nelson County Fiscal Court purchased 424 acres to develop Nelson County Industrial Park, located near the intersection of the Martha Layne Collins Parkway and US Highway 150. The property was purchased for \$3,197,674. During the last seven years, infrastructure additions have been made to develop the property, including a water tank, initial sewer line installation, and the completion of Parkway Drive. As of June 30, 2017, the county has spent a total of \$9,249,883 on this development.

Note 6. Notes Receivable

A. Roberts Road/Bellwood Road Waterlines Notes

Notes were issued to property owners who wanted to participate in waterline improvements for their neighborhoods and agreed to repay Nelson County for advances to install the waterlines. All outstanding loans from property owners have been determined to be currently uncollectible. The fiscal court has obtained liens on the properties to collect outstanding fees if the properties are sold. The following notes with property owners remain as of June 30, 2017.

1. The county loaned \$2,500 each to five residents and \$1,800 to one resident of the Roberts Road area on May 1, 1997, for the purpose of providing waterlines to their homes. These notes bear interest at the rate of 7 percent per year. Terms of the agreements stipulate monthly payments of \$29 for the \$2,500 loans and \$21 for the \$1,800 loan until April 30, 2007. As of June 30, 2017, the total principal balance due was \$471.
2. The county loaned \$3,446 each to 17 residents of the Bellwood Road area #1 on March 1, 1998, for the purpose of providing waterlines to their homes. These notes bear interest at the rate of 6 percent per year. Terms of the agreements stipulate monthly payments of \$29 until February 28, 2013. As of June 30, 2017, the total principal balance due was \$6,443.
3. The county loaned \$2,167 each to 12 residents of the Bellwood Road area #2 on December 1, 1997, for the purpose of providing waterlines to their homes. These notes bear interest at 6.24 percent per year. Terms of the agreements stipulate monthly payments of \$24 until November 30, 2007. As of June 30, 2017, the total principal balance due was \$798.

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

Note 6. Notes Receivable (Continued)

B. Central Dispatch Line Of Credit

On July 16, 2013, the fiscal court authorized a \$410,000 line of credit to central dispatch. These funds will assist central dispatch with GPS mapping, required upgrades for telephones, recording systems, and digital radios and repeaters. Central dispatch is repaying this credit line at \$4,500 per month. As of June 30, 2017, the fiscal court had loaned \$323,795 and the balance due to the fiscal court as of year-end totaled \$269,225. During the fiscal year 2017 no payments were made.

C. Kentucky Railway Museum

On November 15, 2011, the fiscal court granted a \$25,000 loan to the Kentucky Railway Museum (KRM). The museum incurred flood damage and was declared a disaster area, thus eligible for Federal Emergency Management Assistance (FEMA) funds. To expedite repairs, the court voted to provide the funds in advance. As of June 30, 2017, the loan balance due was \$15,000.

D. Nelson County Fair Board

On September 10, 2013, the fiscal court granted a \$62,445 loan to the Nelson County Fair Board. These funds will assist the Nelson County Fair Board to purchase bleachers for the fairgrounds. As of June 30, 2017, the loan balance due was \$57,445.

Note 7. Long-term Debt

A. General Obligation Bonds

In June 2007, the county issued General Obligation bonds in the amount of \$1,135,000 to finance park improvements and construction of a new animal shelter. Interest rates on the individual term bonds range from 3.6 percent to 3.9 percent with the principal and interest payments (approximately \$60,000) due semiannually in November and May until May 15, 2017. These bonds were paid in full in May 2017.

B. Nelson County Public Improvements Corporation

1. Lease Agreement - Airport Hangar

On April 30, 2002, the Nelson County Fiscal Court, on behalf of the Bardstown/Nelson County Air Board, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$100,000 for construction of an airport hangar. This lease has a variable interest rate that is adjusted annually. During fiscal year 2017, the fiscal court received \$6,474 in principal and interest from the Air Board. The fiscal court then paid the debt service to the trustee. Future principal and interest payments are scheduled as follows:

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

Note 7. Long-term Debt (Continued)

B. Nelson County Public Improvements Corporation (Continued)

1. Lease Agreement - Airport Hangar (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 5,000	\$ 1,210
2019	5,000	946
2020	5,000	682
2021	5,000	418
2022	5,000	154
Totals	<u>\$ 25,000</u>	<u>\$ 3,410</u>

2. Lease Agreement - Fire Truck

On October 22, 2007, the Nelson County Fiscal Court, on behalf of the New Hope Fire Department, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$131,900 at a fixed interest rate of 4.63 percent for 144 months to purchase a fire truck for the New Hope Fire Department. During the fiscal year 2017, the fiscal court received \$14,398 in principal and interest from the fire department. The fiscal court then paid the debt service to the trustee. Future principal and interest payments are scheduled as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 13,132	\$ 1,258
2019	13,821	555
2020	4,443	41
Totals	<u>\$ 31,396</u>	<u>\$ 1,854</u>

3. Justice Center Series 2011 Bonds

The Nelson County Public Properties Corporation entered into a bond issue, Nelson County Public Properties Corporation First Mortgage Refunding Revenue Bonds (Court Facility Project), Series 2011 on May 10, 2011, for the purpose of paying the costs associated with the refunding and refinancing of the Nelson County Justice Center. Proceeds from the original bond issue provided funds for the construction of the Nelson County Justice Center. The issue amount of the bond was \$7,905,000. Interest on the bonds will be payable semi-annually on December 1 and June 1 of each year commencing December 1, 2011. The bonds will mature on June 1 of each year thereafter.

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

Note 7. Long-term Debt (Continued)

B. Nelson County Public Improvements Corporation (Continued)

3. Justice Center Series 2011 Bonds (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 705,000	\$ 148,903
2019	730,000	129,515
2020	755,000	107,615
2021	775,000	83,455
2022	800,000	57,880
2023	830,000	29,880
Totals	<u>\$ 4,595,000</u>	<u>\$ 557,248</u>

4. Justice Center Series 2002B

On October 16, 2003, the Nelson County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2002 B dated October 1, 2003, in the amount of \$375,000. Proceeds from the bond issue provided funds for the completion of the Nelson County Justice Center. Future principal and interest payments are scheduled as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 20,000	\$ 6,230
2019	20,000	5,400
2020	25,000	4,500
2021	25,000	3,375
2022	25,000	2,250
2023	25,000	1,125
Totals	<u>\$ 140,000</u>	<u>\$ 22,880</u>

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

Note 7. Long-term Debt (Continued)

C. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 135,000	\$	\$ 135,000	\$	\$
Revenue Bonds	5,445,000		710,000	4,735,000	725,000
Financing Obligations	73,892		17,496	56,396	18,132
Total Long-term Debt	\$ 5,653,892	\$ 0	\$ 862,496	\$ 4,791,396	\$ 743,132

Note 8. Commitments and Contingencies

A. Closure and Post-closure of Municipal Solid Waste Landfill

State and federal laws and regulations require the Nelson County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill (landfill) site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. As of June 30, 2017, county engineers estimate that \$7,158,108 will be required for landfill closure cost and for post-closure care liability. Approximately 67.84 percent of the landfill airspace capacity has been used as of June 30, 2017. 401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site, and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post-closure care costs.

Nelson County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,916,108, and estimated post-closure care costs total \$106,400 per year for 30 years and \$10,000 per year for five years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is July 1, 2025. No cost related to closure or post-closure care has been incurred to date.

B. Litigation

The county is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the regulatory basis of accounting, the financial statement does not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the county, the county believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the county. The county did not pay any claims or judgments during fiscal year 2017.

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

Note 9. Employee Retirement System

Plan Description

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

The county's contribution for FY 2015 was \$1,306,951, FY 2016 was \$1,319,600, and FY 2017 was \$1,259,651.

Nonhazardous

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

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

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

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

Hazardous

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

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

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

Note 9. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

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

Health Insurance Coverage

CERS also provides post-retirement health care coverage as follows:

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

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

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

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

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

Note 9. Employee Retirement System (Continued)

Health Insurance Coverage (Continued)

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

Note 10. Deferred Compensation

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

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

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

Note 11. Health Reimbursement Account

The Nelson County Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$1,000 each year to pay for qualifying medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan at June 30, 2017, is \$4,601.

Note 12. Insurance

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The county purchases commercial insurance to cover all types of losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the county.

Note 13. Prior Period Restatement

The landfill fund beginning balance was restated by \$65.

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

For The Year Ended June 30, 2017

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 5,382,200	\$ 5,856,200	\$ 6,022,340	\$ 166,140
Excess Fees	229,000	479,000	739,020	260,020
Licenses and Permits	443,300	477,300	586,406	109,106
Intergovernmental	418,000	456,000	583,284	127,284
Charges for Services	13,000	13,000	8,160	(4,840)
Miscellaneous	358,600	411,300	465,880	54,580
Interest	900	900	847	(53)
Total Receipts	<u>6,845,000</u>	<u>7,693,700</u>	<u>8,405,937</u>	<u>712,237</u>
DISBURSEMENTS				
General Government	1,300,000	1,486,500	1,404,049	82,451
Protection to Persons and Property	1,691,000	2,389,700	2,176,141	213,559
General Health and Sanitation	839,500	856,200	852,937	3,263
Social Services	201,500	186,800	161,644	25,156
Recreation and Culture	477,000	569,400	539,582	29,818
Roads	55,000	55,000	54,014	986
Bus Services	235,000	198,000	186,116	11,884
Debt Service	139,000	139,000	138,998	2
Capital Projects	218,000			
Administration	1,847,000	2,096,100	1,670,732	425,368
Total Disbursements	<u>7,003,000</u>	<u>7,976,700</u>	<u>7,184,213</u>	<u>792,487</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(158,000)</u>	<u>(283,000)</u>	<u>1,221,724</u>	<u>1,504,724</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,000	500,000	500,000	
Transfers To Other Funds	<u>(1,109,000)</u>	<u>(1,109,000)</u>	<u>(1,025,934)</u>	<u>83,066</u>
Total Other Adjustments to Cash (Uses)	<u>(609,000)</u>	<u>(609,000)</u>	<u>(525,934)</u>	<u>83,066</u>
Net Change in Fund Balance	(767,000)	(892,000)	695,790	1,587,790
Fund Balance - Beginning	<u>767,000</u>	<u>892,000</u>	<u>892,368</u>	<u>368</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,588,158</u>	<u>\$ 1,588,158</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,699,500	\$ 2,124,000	\$ 2,129,428	\$ 5,428
Miscellaneous	500	500	6,648	6,148
Total Receipts	<u>1,700,000</u>	<u>2,124,500</u>	<u>2,136,076</u>	<u>11,576</u>
DISBURSEMENTS				
Roads	1,281,000	2,626,500	2,386,671	239,829
Capital Projects	805,000			
Administration	531,000	635,000	386,692	248,308
Total Disbursements	<u>2,617,000</u>	<u>3,261,500</u>	<u>2,773,363</u>	<u>488,137</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(917,000)</u>	<u>(1,137,000)</u>	<u>(637,287)</u>	<u>499,713</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	615,000	615,000	826,000	211,000
Total Other Adjustments to Cash (Uses)	<u>615,000</u>	<u>615,000</u>	<u>826,000</u>	<u>211,000</u>
Net Change in Fund Balance	(302,000)	(522,000)	188,713	710,713
Fund Balance - Beginning	<u>302,000</u>	<u>522,000</u>	<u>522,590</u>	<u>590</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 711,303</u>	<u>\$ 711,303</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 442,700	\$ 507,700	\$ 568,566	\$ 60,866
Charges for Services	105,300	105,300	84,116	(21,184)
Miscellaneous	110,000	110,000	21,044	(88,956)
Total Receipts	<u>658,000</u>	<u>723,000</u>	<u>673,726</u>	<u>(49,274)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,414,500	1,511,100	1,399,348	111,752
Administration	352,500	320,900	300,312	20,588
Total Disbursements	<u>1,767,000</u>	<u>1,832,000</u>	<u>1,699,660</u>	<u>132,340</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,109,000)</u>	<u>(1,109,000)</u>	<u>(1,025,934)</u>	<u>83,066</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,109,000</u>	<u>1,109,000</u>	<u>1,025,934</u>	<u>(83,066)</u>
Total Other Adjustments to Cash (Uses)	<u>1,109,000</u>	<u>1,109,000</u>	<u>1,025,934</u>	<u>(83,066)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 195,000	\$ 195,000	\$ 179,512	\$ (15,488)
Total Receipts	<u>195,000</u>	<u>195,000</u>	<u>179,512</u>	<u>(15,488)</u>
DISBURSEMENTS				
Roads	195,000	195,000	120,852	74,148
Administration	155,000	155,000		155,000
Total Disbursements	<u>350,000</u>	<u>350,000</u>	<u>120,852</u>	<u>229,148</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(155,000)</u>	<u>(155,000)</u>	<u>58,660</u>	<u>213,660</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(100,000)	(100,000)	(100,000)	
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	(255,000)	(255,000)	(41,340)	213,660
Fund Balance - Beginning	<u>255,000</u>	<u>255,000</u>	<u>329,348</u>	<u>74,348</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 288,008</u>	<u>\$ 288,008</u>

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

EMERGENCY MEDICAL SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	2,035,000	2,035,000	2,145,711	110,711
Miscellaneous		13,000	20,033	7,033
Total Receipts	<u>2,045,000</u>	<u>2,058,000</u>	<u>2,175,744</u>	<u>117,744</u>
DISBURSEMENTS				
Protection to Persons and Property	2,570,000	2,583,000	2,525,911	57,089
Total Disbursements	<u>2,570,000</u>	<u>2,583,000</u>	<u>2,525,911</u>	<u>57,089</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(350,167)</u>	<u>174,833</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	255,000	255,000	255,000	
Total Other Adjustments to Cash (Uses)	<u>255,000</u>	<u>255,000</u>	<u>255,000</u>	
Net Change in Fund Balance	(270,000)	(270,000)	(95,167)	174,833
Fund Balance - Beginning	270,000	270,000	279,338	9,338
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 184,171</u>	<u>\$ 184,171</u>

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

	SOLID WASTE FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 57,500	\$ 57,500	\$ 56,819	\$ (681)
Charges for Services	2,096,000	2,096,000	2,167,195	71,195
Miscellaneous	8,500	8,500	10,000	1,500
Total Receipts	<u>2,162,000</u>	<u>2,162,000</u>	<u>2,234,014</u>	<u>72,014</u>
DISBURSEMENTS				
General Health and Sanitation	1,727,500	1,748,500	1,656,406	92,094
Capital Projects	55,000	55,000		55,000
Administration	574,500	553,500	292,832	260,668
Total Disbursements	<u>2,357,000</u>	<u>2,357,000</u>	<u>1,949,238</u>	<u>407,762</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(195,000)</u>	<u>(195,000)</u>	<u>284,776</u>	<u>479,776</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	
Net Change in Fund Balance	(310,000)	(310,000)	169,776	479,776
Fund Balance - Beginning	<u>310,000</u>	<u>310,000</u>	<u>334,559</u>	<u>24,559</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504,335</u>	<u>\$ 504,335</u>

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,000	\$ 3,000	\$ 4,000	\$ 1,000
Charges for Services	2,235,000	2,235,000	2,574,499	339,499
Miscellaneous	41,000	41,000	61,910	20,910
Interest	25,000	25,000	21,596	(3,404)
Total Receipts	<u>2,304,000</u>	<u>2,304,000</u>	<u>2,662,005</u>	<u>358,005</u>
DISBURSEMENTS				
General Health and Sanitation	1,466,000	1,881,000	1,553,194	327,806
Capital Projects	415,000			
Administration	1,017,000	1,017,000	377,093	639,907
Total Disbursements	<u>2,898,000</u>	<u>2,898,000</u>	<u>1,930,287</u>	<u>967,713</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(594,000)</u>	<u>(594,000)</u>	<u>731,718</u>	<u>1,325,718</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(200,000)</u>	<u>(200,000)</u>	<u>(202,700)</u>	<u>(2,700)</u>
Total Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(202,700)</u>	<u>(2,700)</u>
Net Change in Fund Balance	(794,000)	(794,000)	529,018	1,323,018
Fund Balance - Beginning (Restated)	<u>794,000</u>	<u>794,000</u>	<u>5,531,416</u>	<u>4,737,416</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,060,434</u>	<u>\$ 6,060,434</u>

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

	OCCUPATIONAL LICENSE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,150,000	\$ 1,150,000	\$ 1,261,668	\$ 111,668
Total Receipts	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,261,668</u>	<u>111,668</u>
DISBURSEMENTS				
General Government	143,600	143,600	138,589	5,011
Protection to Persons and Property	75,000	81,900	81,873	27
Airports	44,800	44,800	4,800	40,000
Administration	270,600	263,700	13,606	250,094
Total Disbursements	<u>534,000</u>	<u>534,000</u>	<u>238,868</u>	<u>295,132</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>616,000</u>	<u>616,000</u>	<u>1,022,800</u>	<u>406,800</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(955,000)</u>	<u>(955,000)</u>	<u>(1,166,000)</u>	<u>(211,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(955,000)</u>	<u>(955,000)</u>	<u>(1,166,000)</u>	<u>(211,000)</u>
Net Change in Fund Balance	(339,000)	(339,000)	(143,200)	195,800
Fund Balance - Beginning	<u>339,000</u>	<u>339,000</u>	<u>350,459</u>	<u>11,459</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 207,259</u>	<u>\$ 207,259</u>

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

June 30, 2017

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2017

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NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 2,988,946	\$	\$	\$ 2,988,946
Land Improvements	12,415,140	343,085		12,758,225
Buildings	29,887,542	136,377		30,023,919
Vehicles	6,890,582	665,061	231,689	7,323,954
Computers	192,971	5,649		198,620
Equipment	4,348,636	71,952		4,420,588
Infrastructure	101,085,390	1,186,718		102,272,108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 157,809,207</u>	<u>\$ 2,408,842</u>	<u>\$ 231,689</u>	<u>\$ 159,986,360</u>

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

June 30, 2017

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	10-60
Buildings	\$ 8,000	10-75
Vehicles	\$ 5,000	3-25
Computers	\$ 3,000	2-10
Equipment	\$ 5,000	3-25
Infrastructure	\$ 10,000	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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Dean Watts, Nelson County Judge/Executive
Members of the Nelson County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Nelson County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Nelson County Fiscal Court's financial statement and have issued our report thereon dated August 28, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which is described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2017-001 and 2017-002.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

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

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

August 28, 2018

**NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

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**NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS:

2017-001 The Nelson County Fiscal Court Has Weak Controls And Oversight Over Off-Site Collections

The Nelson County Fiscal Court has insufficient oversight of receipts collected at some off-site locations. While the county treasurer receives sufficient documentation from some off-site locations to balance the collection system to the deposit, she does not receive this information for all locations, including the landfill, the third party service organization responsible for collecting garbage collection fees, and the jail.

- Landfill - Cash, checks, and credit card payments are collected and deposited by personnel at the landfill. Landfill personnel compile a monthly spreadsheet that shows each day's receipts and provide this to the county treasurer. Copies of the receipts issued or the daily reports are not included. The landfill does not fully close out their receipts to a system report or make deposits daily, causing the monthly report not to agree with the actual deposits. Therefore, there is not enough supporting documentation available for reconciliation of the deposit to the receipts. The county treasurer posts to the receipts ledger from the deposit in the bank account instead of the actual receipt activity.
- Garbage Collection Fees - During review of collection procedures at the third party service organization, we noted the organization has the capability of providing a report to the county treasurer showing collection activity. However, this report has not been requested or required by the fiscal court.
- Jail - There is no supporting documentation provided for bonds, booking fees, boarding fees, drug or medical because the fiscal court has not requested or required supporting documentation. Furthermore, the fiscal court has not requested monthly payments from the jailer for those fees.

The Nelson County Fiscal Court failed to provide proper oversight over off-site locations. Good internal controls dictate that deposits be reconciled to receipts, or a system generated report, to ensure all transactions are included and deposited daily. Receipts should be settled daily and be approved by someone independent of the collection and reconciliation process. A lack of reconciliation of the activity to the supporting source documentation increases the risk that undetected errors or fraud could occur in these areas.

We recommend the following:

- Landfill - We recommend the fiscal court and landfill develop a daily checkout process to reconcile the daily receipts against the transactions posted in their system to provide support for the county treasurer's deposits. This reconciliation should be approved and verified by someone independent from the collection and reconciliation process. We also recommend the landfill deposit their receipts daily and balance their cash drawer to the same amount daily as well. The purchase of a small safe for storage of the daily cash receipts would be recommended to keep the funds secure. If the purchase of a safe is not feasible, the landfill manager should turn the cash receipts over to the treasurer daily when the landfill closes for the day.
- Garbage Collection Fees - We recommend the treasurer require a monthly report from the service organization be submitted along with the check as support for the deposit. Inquiry of the service organization has indicated that a report can be given to the county treasurer.
- Jail - We recommend the fiscal court obtain support from the jail to agree with the amounts being turned over to the county.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Additional compensating controls have been, and will continue to be, implemented among all departments responsible for collecting and turning over receipts to the Treasurer.

NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2017

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-001 The Nelson County Fiscal Court Has Weak Controls And Oversight Over Off-Site Collections
(Continued)

Auditor's Reply: Compensating controls were not evident. Cross checking procedures should be documented by the individual performing the procedure.

2017-002 The Jail Is Not Following Proper Procedures Over Receipts

Jail receipts are not accounted for in numerical sequence and are not batched and deposited on a daily basis. During the completion of the daily checkout sheets, the monies are not being separated into cash and checks and noted as such on the daily checkout sheets. Receipts were not batched and deposited daily due to lack of staff. Because multiple receipt books were used, receipts were not accounted for in numerical sequence.

The cumulative effect of these control weaknesses and non-compliances over receipts increases the risk of financial statement misstatement caused by error or fraud. Based on the minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210, the jail should prepare checkout sheets and make deposits daily. Receipts should be issued numerically and accounted for daily.

We recommend the jailer account for all receipts in numerical order and make deposits daily. Furthermore, we recommend the jailer implement policies and procedures to ensure daily checkout sheets indicate the amount of cash and checks collected and amounts listed on the daily checkout sheets agree to the daily deposit ticket.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The treasurer and judge-executive will follow up with the jail to ensure that proper procedures are in place for receipt collection, check out sheets, and daily deposits.

Jailer's Response: 11/8/17 Our booking system was changed to [vendor] that has corrected these problems accounting. We have added a kiosk at booking for inmates to deposit money. We only have 2 receipt books.

Auditor's Reply: Auditors noted a minimum of three receipt books being used during one month, our sample period.

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

NELSON COUNTY FISCAL COURT

For The Year Ended June 30, 2017

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE
NELSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

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



County Judge/Executive



County Treasurer