

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

**For The Year Ended
June 30, 2019**

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

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To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, 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, 2019, 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 Andy G. Beshear, Governor
Holly M. Johnson, Secretary
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Members of the Nelson County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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, 2019, 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, 2019, 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 and Other 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 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 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 are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
The Honorable Andy G. Beshear, Governor
Holly M. Johnson, Secretary
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The Honorable Dean Watts, Nelson County Judge/Executive
Members of the Nelson County Fiscal Court

Other Matters

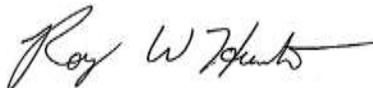
Supplementary Information and Other Information (Continued)

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, 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.

Respectfully submitted,



Roy W. Hunter, CPA PLLC
Lexington, Kentucky
November 27, 2019

NELSON COUNTY OFFICIALS
For The Year Ended June 30, 2019

Fiscal Court Members:

Dean Watts	County Judge/Executive
Keith Metcalfe	Magistrate
Sam Hutchins (July 1, 2018 - December 31, 2018)	Magistrate
Gary Coulter (January 1, 2019 - June 30, 2019)	Magistrate
Bernard Ice	Magistrate
Jeff Lear	Magistrate
Jerry Hahn (July 1, 2018 - October 31, 2018)	Magistrate
Eric Shelburne (November 9, 2018 - June 30, 2019)	Magistrate

Other Elected Officials:

Matthew Hite	County Attorney
Dorcas Figg (July 1, 2018 - December 31, 2018)	Jailer
John Snellen (January 1, 2019 - June 30, 2019)	Jailer
Elaine Filiatreau (July 1, 2018 - December 31, 2018)	County Clerk
Jeanette Sidebottom (January 1, 2019 - June 30, 2019)	County Clerk
Diane Thompson	Circuit Court Clerk
Mike Newton (July 1, 2018 - December 31, 2018)	Sheriff
Ramon Pineiroa (January 1, 2019 - June 30, 2019)	Sheriff
Barbara Tichenor	Property Valuation Administrator
Rayfield Houghlin	Coroner

Appointed Personnel:

Rhonda Fenwick	County Treasurer
Brad Spalding	County Engineer
John Greenwell	Landfill Manager
Logan Spaulding	Chief Building Official/Director
Joe Prewitt	EMS Director
Teresa Blandford	Occupational Tax Administrator
Carole Bryan	Administrative Assistant/Human Resource Manager
Wanda Ward	EMS Fiscal Officer
Lee Mattingly	Assistant Road Supervisor

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

For The Year Ended June 30, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,812,360	\$	\$
Excess Fees	690,370		
Licenses and Permits	562,622		
Intergovernmental	477,088	2,071,157	800,788
Charges for Services	19,768		48,750
Miscellaneous	1,156,968	22,327	6,956
Interest	1,508		
Total Receipts	<u>9,720,684</u>	<u>2,093,484</u>	<u>856,494</u>
DISBURSEMENTS			
General Government	2,603,812		
Protection to Persons and Property	2,229,866		1,654,898
General Health and Sanitation	919,731		
Social Services	159,323		
Recreation and Culture	1,304,469		
Roads	56,678	2,938,197	
Airports			
Bus Services	196,504		
Debt Service			
Capital Projects	38,472		
Administration	2,181,907	518,973	388,407
Total Disbursements	<u>9,690,762</u>	<u>3,457,170</u>	<u>2,043,305</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>29,922</u>	<u>(1,363,686)</u>	<u>(1,186,811)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			
Transfers From Other Funds	1,230,000	785,000	1,186,811
Transfers To Other Funds	(1,186,811)		
Total Other Adjustments to Cash (Uses)	<u>43,189</u>	<u>785,000</u>	<u>1,186,811</u>
Net Change in Fund Balance	73,111	(578,686)	
Fund Balance - Beginning	1,607,288	1,008,392	
Fund Balance - Ending	<u>\$ 1,680,399</u>	<u>\$ 429,706</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 1,722,753	\$ 429,706	\$
Less: Outstanding Checks	(42,354)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 1,680,399</u>	<u>\$ 429,706</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, 2019
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fund
\$	\$	\$	\$	\$ 1,387,278
205,024	10,000	66,089		
	2,153,720	2,212,148	2,767,186	
	62,440	38,403	50,190	
			23,813	
<u>205,024</u>	<u>2,226,160</u>	<u>2,316,640</u>	<u>2,841,189</u>	<u>1,387,278</u>
				148,456
	2,094,930			
		1,702,852	1,529,381	
127,978				
				4,800
	815,190	420,420	407,415	13,305
<u>127,978</u>	<u>2,910,120</u>	<u>2,123,272</u>	<u>1,936,796</u>	<u>166,561</u>
<u>77,046</u>	<u>(683,960)</u>	<u>193,368</u>	<u>904,393</u>	<u>1,220,717</u>
	700,000			317,000
(100,000)		(115,000)	(850,000)	(1,320,000)
<u>(100,000)</u>	<u>700,000</u>	<u>(115,000)</u>	<u>(850,000)</u>	<u>(1,003,000)</u>
(22,954)	16,040	78,368	54,393	217,717
243,144	46,322	280,593	6,264,260	212,788
<u>\$ 220,190</u>	<u>\$ 62,362</u>	<u>\$ 358,961</u>	<u>\$ 6,318,653</u>	<u>\$ 430,505</u>
\$ 220,190	\$ 62,362	\$ 358,961	\$ 2,386,502	\$ 430,505
			(1,586)	
			3,933,737	
<u>\$ 220,190</u>	<u>\$ 62,362</u>	<u>\$ 358,961</u>	<u>\$ 6,318,653</u>	<u>\$ 430,505</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, 2019
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Improvements Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 8,199,638
Excess Fees			690,370
Licenses and Permits			562,622
Intergovernmental			3,630,146
Charges for Services			7,201,572
Miscellaneous	912,457	200,325	2,450,066
Interest		63	25,384
Total Receipts	<u>912,457</u>	<u>200,388</u>	<u>22,759,798</u>
DISBURSEMENTS			
General Government	9,157		2,761,425
Protection to Persons and Property		160,943	6,140,637
General Health and Sanitation			4,151,964
Social Services			159,323
Recreation and Culture			1,304,469
Roads			3,122,853
Airports			4,800
Bus Services			196,504
Debt Service	905,275		905,275
Capital Projects			38,472
Administration			4,745,617
Total Disbursements	<u>914,432</u>	<u>160,943</u>	<u>23,531,339</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,975)</u>	<u>39,445</u>	<u>(771,541)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money	330,000		330,000
Transfers From Other Funds			4,218,811
Transfers To Other Funds	(647,000)		(4,218,811)
Total Other Adjustments to Cash (Uses)	<u>(317,000)</u>		<u>330,000</u>
Net Change in Fund Balance	(318,975)	39,445	(441,541)
Fund Balance - Beginning	383,201	109,275	10,155,263
Fund Balance - Ending	<u>\$ 64,226</u>	<u>\$ 148,720</u>	<u>\$ 9,713,722</u>
Composition of Fund Balance			
Bank Balance	\$ 64,226	\$ 153,807	\$ 5,829,012
Less: Outstanding Checks		(5,087)	(49,027)
Certificates of Deposit			3,933,737
Fund Balance - Ending	<u>\$ 64,226</u>	<u>\$ 148,720</u>	<u>\$ 9,713,722</u>

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TO THE FINANCIAL STATEMENT**

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**NELSON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2019

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, 2019
(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. 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 with 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. 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, 2019
(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, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organizations governing board. Based on this criteria, the following are considered related organizations of the Nelson County Fiscal Court:

Nelson County Cooperative Extension
 Nelson County Health Department
 Nelson County Public Library
 Nelson County Soil Conservation
 North Nelson Water District

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Nelson County Fiscal Court:

Bardstown – Nelson County Airport Board
 Bardstown-Nelson Tourism
 Joint City-County Planning Commission of Nelson County

I. Direct Borrowings and Direct Placements

GASB Statement No. 88 – Certain Disclosure Related to Debt, Including Direct Borrowings and Direct Placements - This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses

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 met.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Landfill Fund	LGEA Fund	Solid Waste Fund	Occupational License Fund	Public Improvements Corporation Fund	Total Transfers In
General Fund	\$	\$850,000	\$	\$ 50,000	\$	\$ 330,000	\$ 1,230,000
Road Fund			100,000	65,000	620,000		785,000
Jail Fund	1,186,811						1,186,811
Occupational License Fund						317,000	317,000
Emergency Medical Services Fund					700,000		700,000
Total Transfers Out	<u>\$1,186,811</u>	<u>\$850,000</u>	<u>\$100,000</u>	<u>\$115,000</u>	<u>\$1,320,000</u>	<u>\$ 647,000</u>	<u>\$ 4,218,811</u>

Reason for transfers:

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

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, was \$5,252. 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, 2019, was \$49,000.

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, 2019, the county has spent a total of \$9,254,018 on this development.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

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, 2019.

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, and \$21, respectively, until April 30, 2007. As of June 30, 2019, the 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, 2019, the 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, 2019, the principal balance due was \$798.

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, 2019, the fiscal court had loaned \$323,795 and the balance due to the fiscal court as of year-end totaled \$169,225. During the fiscal year 2019, a \$50,000 payment was received.

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, 2019, 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, 2019, the loan balance due was \$57,445.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. Long-term Debt

Nelson County Public Improvements Corporation

A. Direct Borrowings

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 2019, the fiscal court received \$5,946 in principal and interest from the Air Board. The lease contains a provision that in an event of default, outstanding amounts become immediately due if the Fiscal court is unable to make payment. 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
2020	\$ 5,000	\$ 682
2021	5,000	418
2022	5,000	154
Totals	<u>\$ 15,000</u>	<u>\$ 1,254</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 (collateral for the lease) for the New Hope Fire Department. The lease contains a provision that in an event of default, outstanding amounts become immediately due if the Fiscal court is unable to make payment. During the fiscal year 2019, the fiscal court received \$14,414 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
2020	\$ 4,686	\$ 41
Totals	<u>\$ 4,686</u>	<u>\$ 41</u>

3. Loan Agreement – Salt River Electric Cooperative Corporation

On October 17, 2018, the Nelson County Fiscal Court entered into a loan agreement with Salt River Electric Cooperative Cooperation. The loan was for \$330,000 at zero interest, the principal is to be paid in monthly payments beginning in November 2019. The loan contains a provision that in an event of default, outstanding amounts become immediately due if the Fiscal court is unable to make payment. The proceeds were used for construction and improvements on the J. Dan Talbott Amphitheater, home of the Stephen Foster Story. Future principal and interest payments are scheduled as follows:

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. Long-term Debt (Continued)

Nelson County Public Improvements Corporation (Continued)

3. Loan Agreement – Salt River Electric Cooperative Corporation (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 21,389	
2021	36,667	
2022	36,667	
2023	36,667	
2024	36,667	
2025-2029	161,943	
Totals	<u>\$ 330,000</u>	<u>\$ 0</u>

B. Other Debt - Bonds

1. 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. These bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. Future principal and interest payments are scheduled as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 25,000	\$ 4,500
2021	25,000	3,375
2022	25,000	2,250
2023	25,000	1,125
Totals	<u>\$ 100,000</u>	<u>\$ 11,250</u>

2. 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. These bonds contain a provision that in an event of default, outstanding amounts become immediately due if the Fiscal Court is unable to make payment. The bonds will mature on June 1 of each year thereafter.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 7. Long-term Debt (Continued)

B. Other Debt (Continued)

2. Justice Center Series 2011 Bonds (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 755,000	\$ 107,615
2021	775,000	83,455
2022	800,000	57,880
2023	830,000	29,880
Totals	<u>\$ 3,160,000</u>	<u>\$ 278,830</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 4,010,000	\$	\$ 750,000	\$ 3,260,000	\$ 780,000
Direct Borrowings	38,336	330,000	18,650	349,686	31,075
Total Long-term Debt	<u>\$ 4,048,336</u>	<u>\$ 330,000</u>	<u>\$ 768,650</u>	<u>\$ 3,609,686</u>	<u>\$ 811,075</u>

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, 2019, 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, 2019. 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.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 8. Commitments and Contingencies (Continued)

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 2019.

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 2017 was \$1,259,652, FY 2018 was \$1,513,910, and FY 2019 was \$1,811,392.

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 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 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 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 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 21.48 percent.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement System (Continued)

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 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. 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 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 35.34 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.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage – Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, 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 161.714 with exception of COLA and retiree health benefits after July 2003.

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

Once members reach a minimum vesting period of 15 years, 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%. 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% 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 161.714 with exception of COLA and retiree health benefits after July 2003. 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, 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%. 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% COLA since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS 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%. 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, KRS 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.

KRS Annual Financial Report and Proportionate Share Audit Report

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.

KRS 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 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.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 10. Deferred Compensation (Continued)

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 Fiscal Court established a Health Reimbursement Account to provide employees an additional health benefit. The county has contracted with BMS, LLC, 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 qualified medical expenses. The cash balance in the Health Reimbursement Account per accounting as of June 30, 2019 was \$15,811, which included \$12,387 from prior year. The prior year carry over cannot be withdrawn by the fiscal court but can be used to pay approved medical expenditures. Therefore, the actual cash balance available is \$3,424.

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. Tax Abatements

In the current year, property taxes related to four distilling companies were abated. The entities are eligible to receive this tax abatement under four industrial revenue bond agreements. The taxes are abated by a reduction of assessed value. There is no provision for recapture of abated taxes. Heaven Hill Distilleries, Inc. agreed to create 34 jobs. Lux Row Distillers, LLC agreed to create 10 jobs. The Bardstown Bourbon Company agreed to create 34 jobs. For fiscal year ended June 30, 2019, property taxes totaling \$139,726 (Heaven Hill Distilleries, Inc. \$89,232; Lux Row Distillers, LLC \$26,067; and The Bardstown Bourbon Company \$24,427) were abated. As part of the tax abatement agreement, the fiscal court committed to issuing the Industrial Revenue Bonds which allowed the property to be property-tax exempt.

In addition, property taxes related to another distilling companies (James B. Beam Distilling Company) were abated pursuant under the Kentucky Enterprise Initiative Act (KEIA) program of the Kentucky Economic Development Finance Authority. The taxes are abated by a reduction of assessed value. There is no provision for recapture of abated taxes. For fiscal year ended June 30, 2019, property taxes totaling \$126,189 were abated related to this agreement.

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 6,414,000	\$ 6,414,000	\$ 6,812,360	\$ 398,360
Excess Fees	351,000	351,000	690,370	339,370
Licenses and Permits	532,300	532,300	562,622	30,322
Intergovernmental	470,900	470,900	477,088	6,188
Charges for Services	25,400	25,400	19,768	(5,632)
Miscellaneous	1,582,100	1,582,100	1,156,968	(425,132)
Interest	1,300	1,300	1,508	208
Total Receipts	<u>9,377,000</u>	<u>9,377,000</u>	<u>9,720,684</u>	<u>343,684</u>
DISBURSEMENTS				
General Government	2,728,900	2,730,200	2,603,812	126,388
Protection to Persons and Property	2,321,900	2,296,300	2,229,866	66,434
General Health and Sanitation	918,000	928,800	919,731	9,069
Social Services	183,500	183,500	159,323	24,177
Recreation and Culture	1,373,700	1,373,700	1,304,469	69,231
Roads	59,000	59,000	56,678	2,322
Bus Services	225,000	225,000	196,504	28,496
Capital Projects	25,000	38,500	38,472	28
Administration	2,602,000	2,602,000	2,181,907	420,093
Total Disbursements	<u>10,437,000</u>	<u>10,437,000</u>	<u>9,690,762</u>	<u>746,238</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,060,000)</u>	<u>(1,060,000)</u>	<u>29,922</u>	<u>1,089,922</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,000,000	1,000,000	1,230,000	230,000
Transfers To Other Funds	<u>(1,504,000)</u>	<u>(1,504,000)</u>	<u>(1,186,811)</u>	<u>317,189</u>
Total Other Adjustments to Cash (Uses)	<u>(504,000)</u>	<u>(504,000)</u>	<u>43,189</u>	<u>547,189</u>
Net Change in Fund Balance	(1,564,000)	(1,564,000)	73,111	1,637,111
Fund Balance - Beginning	<u>1,564,000</u>	<u>1,564,000</u>	<u>1,607,288</u>	<u>43,288</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,680,399</u>	<u>\$ 1,680,399</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,308,000	\$ 2,308,000	\$ 2,071,157	\$ (236,843)
Miscellaneous			22,327	22,327
Total Receipts	<u>2,308,000</u>	<u>2,308,000</u>	<u>2,093,484</u>	<u>(214,516)</u>
DISBURSEMENTS				
Roads	2,859,500	3,385,800	2,938,197	447,603
Administration	836,500	715,200	518,973	196,227
Total Disbursements	<u>3,696,000</u>	<u>4,101,000</u>	<u>3,457,170</u>	<u>643,830</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,388,000)</u>	<u>(1,793,000)</u>	<u>(1,363,686)</u>	<u>429,314</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	785,000	785,000	785,000	
Total Other Adjustments to Cash (Uses)	<u>785,000</u>	<u>785,000</u>	<u>785,000</u>	
Net Change in Fund Balance	(603,000)	(1,008,000)	(578,686)	429,314
Fund Balance - Beginning	<u>603,000</u>	<u>1,008,000</u>	<u>1,008,392</u>	<u>392</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 429,706</u>	<u>\$ 429,706</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 445,800	\$ 675,800	\$ 800,788	\$ 124,988
Charges for Services	59,400	59,400	48,750	(10,650)
Miscellaneous	90,800	90,800	6,956	(83,844)
Total Receipts	<u>596,000</u>	<u>826,000</u>	<u>856,494</u>	<u>30,494</u>
DISBURSEMENTS				
Protection to Persons and Property	1,694,000	1,829,500	1,654,898	174,602
Administration	406,000	500,500	388,407	112,093
Total Disbursements	<u>2,100,000</u>	<u>2,330,000</u>	<u>2,043,305</u>	<u>286,695</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,504,000)</u>	<u>(1,504,000)</u>	<u>(1,186,811)</u>	<u>317,189</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,504,000</u>	<u>1,504,000</u>	<u>1,186,811</u>	<u>(317,189)</u>
Total Other Adjustments to Cash (Uses)	<u>1,504,000</u>	<u>1,504,000</u>	<u>1,186,811</u>	<u>(317,189)</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, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 165,000	\$ 165,000	\$ 205,024	\$ 40,024
Total Receipts	165,000	165,000	205,024	40,024
DISBURSEMENTS				
Roads	120,000	128,500	127,978	522
Administration	194,000	185,500		185,500
Total Disbursements	314,000	314,000	127,978	186,022
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(149,000)	(149,000)	77,046	226,046
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(100,000)	(100,000)	(100,000)	
Total Other Adjustments to Cash (Uses)	(100,000)	(100,000)	(100,000)	
Net Change in Fund Balance	(249,000)	(249,000)	(22,954)	226,046
Fund Balance - Beginning	249,000	249,000	243,144	(5,856)
Fund Balance - Ending	\$ 0	\$ 0	\$ 220,190	\$ 220,190

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(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	2,468,000	2,468,000	2,153,720	(314,280)
Miscellaneous			62,440	62,440
Total Receipts	<u>2,478,000</u>	<u>2,478,000</u>	<u>2,226,160</u>	<u>(251,840)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,087,500	2,101,500	2,094,930	6,570
Administration	837,500	823,500	815,190	8,310
Total Disbursements	<u>2,925,000</u>	<u>2,925,000</u>	<u>2,910,120</u>	<u>14,880</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(447,000)</u>	<u>(447,000)</u>	<u>(683,960)</u>	<u>(236,960)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	400,000	400,000	700,000	300,000
Total Other Adjustments to Cash (Uses)	<u>400,000</u>	<u>400,000</u>	<u>700,000</u>	<u>300,000</u>
Net Change in Fund Balance	(47,000)	(47,000)	16,040	63,040
Fund Balance - Beginning	<u>47,000</u>	<u>47,000</u>	<u>46,322</u>	<u>(678)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,362</u>	<u>\$ 62,362</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SOLID WASTE FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 57,500	\$ 57,500	\$ 66,089	\$ 8,589
Charges for Services	2,177,000	2,177,000	2,212,148	35,148
Miscellaneous	7,500	7,500	38,403	30,903
Total Receipts	<u>2,242,000</u>	<u>2,242,000</u>	<u>2,316,640</u>	<u>74,640</u>
DISBURSEMENTS				
General Health and Sanitation	1,871,500	1,890,700	1,702,852	187,848
Administration	549,500	530,300	420,420	109,880
Total Disbursements	<u>2,421,000</u>	<u>2,421,000</u>	<u>2,123,272</u>	<u>297,728</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(179,000)</u>	<u>(179,000)</u>	<u>193,368</u>	<u>372,368</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	(294,000)	(294,000)	78,368	372,368
Fund Balance - Beginning	<u>294,000</u>	<u>294,000</u>	<u>280,593</u>	<u>(13,407)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,961</u>	<u>\$ 358,961</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	LANDFILL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 4,000	\$ 4,000	\$	\$ (4,000)
Charges for Services	2,600,000	2,600,000	2,767,186	167,186
Miscellaneous	45,000	45,000	50,190	5,190
Interest	21,000	21,000	23,813	2,813
Total Receipts	<u>2,670,000</u>	<u>2,670,000</u>	<u>2,841,189</u>	<u>171,189</u>
DISBURSEMENTS				
General Health and Sanitation	1,598,400	1,776,100	1,529,381	246,719
Administration	3,068,600	2,890,900	407,415	2,483,485
Total Disbursements	<u>4,667,000</u>	<u>4,667,000</u>	<u>1,936,796</u>	<u>2,730,204</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,997,000)</u>	<u>(1,997,000)</u>	<u>904,393</u>	<u>2,901,393</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(200,000)</u>	<u>(200,000)</u>	<u>(850,000)</u>	<u>(650,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(850,000)</u>	<u>(650,000)</u>
Net Change in Fund Balance	(2,197,000)	(2,197,000)	54,393	2,251,393
Fund Balance - Beginning	<u>2,197,000</u>	<u>2,197,000</u>	<u>6,264,260</u>	<u>4,067,260</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,318,653</u>	<u>\$ 6,318,653</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

OCCUPATIONAL LICENSE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,312,000	\$ 1,312,000	\$ 1,387,278	\$ 75,278
Total Receipts	<u>1,312,000</u>	<u>1,312,000</u>	<u>1,387,278</u>	<u>75,278</u>
DISBURSEMENTS				
General Government	153,600	153,600	148,456	5,144
Airports	4,800	4,800	4,800	
Administration	329,600	329,600	13,305	316,295
Total Disbursements	<u>488,000</u>	<u>488,000</u>	<u>166,561</u>	<u>321,439</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>824,000</u>	<u>824,000</u>	<u>1,220,717</u>	<u>396,717</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			317,000	317,000
Transfers To Other Funds	(1,020,000)	(1,020,000)	(1,320,000)	(300,000)
Total Other Adjustments to Cash (Uses)	<u>(1,020,000)</u>	<u>(1,020,000)</u>	<u>(1,003,000)</u>	<u>17,000</u>
Net Change in Fund Balance	(196,000)	(196,000)	217,717	413,717
Fund Balance - Beginning	<u>196,000</u>	<u>196,000</u>	<u>212,788</u>	<u>16,788</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 430,505</u>	<u>\$ 430,505</u>

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

June 30, 2019

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
Other Information - Regulatory Basis**

For The Year Ended June 30, 2019

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NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,988,946	\$	\$	\$ 2,988,946
Land Improvements	12,781,562	1,666		12,783,228
Buildings	30,292,517	917,983		31,210,500
Vehicles	7,822,826	217,282	136,614	7,903,494
Computers	198,620			198,620
Equipment	5,243,381	172,970	4,582	5,411,769
Infrastructure	103,413,377	1,652,597		105,065,974
 Total Capital Assets	 <u>\$ 162,741,229</u>	 <u>\$ 2,962,498</u>	 <u>\$ 141,196</u>	 <u>\$ 165,562,531</u>

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

June 30, 2019

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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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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, 2019, 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 November 27, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

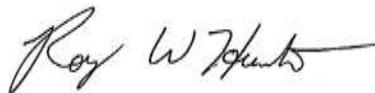
Compliance And Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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,



Roy W. Hunter, CPA PLLC
Lexington, Kentucky

November 27, 2019

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

NELSON COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
NELSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2019

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