

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

**For The Year Ended  
June 30, 2021**

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To the People of Kentucky  
The Honorable Andy 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, 2021, 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 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

### **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, 2021, 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, 2021, 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 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 (Supplementary information), Schedule of Capital Assets (Other Information), and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

To the People of Kentucky  
The Honorable Andy 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 (Continued)**

***Supplementary 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.

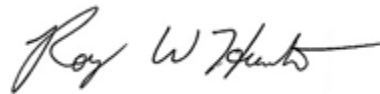
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, 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 Questioned Costs, which discusses the following report finding:

2021-001 The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

December 1, 2021

**NELSON COUNTY OFFICIALS****For The Year Ended June 30, 2021****Fiscal Court Members:**

Dean Watts	County Judge/Executive
Keith Metcalfe	Magistrate
Gary Coulter	Magistrate
Bernard Ice	Magistrate
Jeff Lear	Magistrate
Eric Shelburne	Magistrate

**Other Elected Officials:**

Matthew Hite	County Attorney
John Snellen	Jailer
Jeanette Sidebottom	County Clerk
Diane Thompson	Circuit Court Clerk
Ramon Pineiroa	Sheriff
Barbara Tichenor	Property Valuation Administrator
Rayfield Houghlin	Coroner

**Appointed Personnel:**

Rhonda Fenwick	County Treasurer
Teresa Blandford	Occupational Tax Administrator
Carole Bryan	Personnel/Payroll Officer
Lee Mattingly	Assistant Road Supervisor
Other Key Personnel	Brad Spalding, County Engineer
	John Greenwell, Landfill Manager
	Joe Prewitt, EMS Director
	Wanda Ward, EMS Fiscal Officer

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 7,570,741	\$	\$	\$
Excess Fees	950,390			
Licenses and Permits	589,249			
Intergovernmental	711,878	2,065,458	558,193	227,801
Charges for Services	12,150		24,390	
Miscellaneous	264,519	28,240	97,203	
Interest	2,329			
Total Receipts	<u>10,101,256</u>	<u>2,093,698</u>	<u>679,786</u>	<u>227,801</u>
<b>DISBURSEMENTS</b>				
General Government	1,578,137			
Protection to Persons and Property	2,399,979		1,794,680	
General Health and Sanitation	1,059,959			
Social Services	128,950			
Recreation and Culture	391,995			
Roads	60,446	2,775,745		123,275
Airports				
Bus Services	123,408			
Debt Service	25,000			
Capital Projects	81,613			
Administration	2,437,662	492,302	448,822	
Total Disbursements	<u>8,287,149</u>	<u>3,268,047</u>	<u>2,243,502</u>	<u>123,275</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,814,107</u>	<u>(1,174,349)</u>	<u>(1,563,716)</u>	<u>104,526</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	214,932	1,036,000	1,563,716	
Transfers To Other Funds	(1,988,716)			(50,000)
Total Other Adjustments to Cash (Uses)	<u>(1,773,784)</u>	<u>1,036,000</u>	<u>1,563,716</u>	<u>(50,000)</u>
Net Change in Fund Balance	40,323	(138,349)		54,526
Fund Balance - Beginning (Restated)	<u>1,601,939</u>	<u>197,006</u>		<u>142,951</u>
Fund Balance - Ending	<u>\$ 1,642,262</u>	<u>\$ 58,657</u>	<u>\$ 0</u>	<u>\$ 197,477</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 1,651,935	\$ 58,657	\$	\$ 197,477
Less: Outstanding Checks	(13,680)			
Certificates of Deposit	4,007			
Fund Balance - Ending	<u>\$ 1,642,262</u>	<u>\$ 58,657</u>	<u>\$ 0</u>	<u>\$ 197,477</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, 2021**  
**(Continued)**

<b>Budgeted Funds</b>					
<b>Federal Grants Fund</b>	<b>Emergency Medical Services Fund</b>	<b>Solid Waste Fund</b>	<b>Landfill Fund</b>	<b>Occupational License Fee Fund</b>	<b>American Rescue Plan Act Fund</b>
\$	\$	\$	\$	\$ 1,426,424	\$
2,115,692	10,000	67,491	4,000		4,490,109
	2,288,178	2,362,734	3,395,329		
	63,099	11,000	67,106	100	
			31,316		
<u>2,115,692</u>	<u>2,361,277</u>	<u>2,441,225</u>	<u>3,497,751</u>	<u>1,426,524</u>	<u>4,490,109</u>
				156,324	
90,401	2,362,878	2,171,621	1,808,134		
				24,800	
	919,381	480,911	480,339	30,684	
<u>90,401</u>	<u>3,282,259</u>	<u>2,652,532</u>	<u>2,288,473</u>	<u>211,808</u>	
2,025,291	(920,982)	(211,307)	1,209,278	1,214,716	4,490,109
	1,055,000		100,000	42,000	
(371,000)		(94,000)	(172,000)	(1,280,000)	
(371,000)	1,055,000	(94,000)	(72,000)	(1,238,000)	
1,654,291	134,018	(305,307)	1,137,278	(23,284)	4,490,109
	57,658	433,677	6,925,906	224,708	
<u>\$ 1,654,291</u>	<u>\$ 191,676</u>	<u>\$ 128,370</u>	<u>\$ 8,063,184</u>	<u>\$ 201,424</u>	<u>\$ 4,490,109</u>
\$ 1,654,291	\$ 191,676	\$ 128,370	\$ 4,075,109	\$ 201,424	\$ 4,490,109
			(1,891)		
			3,989,966		
<u>\$ 1,654,291</u>	<u>\$ 191,676</u>	<u>\$ 128,370</u>	<u>\$ 8,063,184</u>	<u>\$ 201,424</u>	<u>\$ 4,490,109</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, 2021**  
**(Continued)**

	<u>Unbudgeted Funds</u>		
	<u>Jail Commissary Fund</u>	<u>Public Improvements Corporation Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 8,997,165
Excess Fees			950,390
Licenses and Permits			589,249
Intergovernmental			10,250,622
Charges for Services			8,082,781
Miscellaneous	240,267	886,830	1,658,364
Interest		7,910	41,555
Total Receipts	<u>240,267</u>	<u>894,740</u>	<u>30,570,126</u>
<b>DISBURSEMENTS</b>			
General Government		900	1,735,361
Protection to Persons and Property			6,647,938
General Health and Sanitation			5,039,714
Social Services			128,950
Recreation and Culture	180,077		572,072
Roads			2,959,466
Airports			24,800
Bus Services			123,408
Debt Service		892,248	917,248
Capital Projects			81,613
Administration			5,290,101
Total Disbursements	<u>180,077</u>	<u>893,148</u>	<u>23,520,671</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>60,190</u>	<u>1,592</u>	<u>7,049,455</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			4,011,648
Transfers To Other Funds		(55,932)	(4,011,648)
Total Other Adjustments to Cash (Uses)		<u>(55,932)</u>	
Net Change in Fund Balance	60,190	(54,340)	7,049,455
Fund Balance - Beginning (Restated)	170,207	54,340	9,808,392
Fund Balance - Ending	<u>\$ 230,397</u>	<u>\$ 0</u>	<u>\$ 16,857,847</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 230,582	\$	\$ 12,879,630
Less: Outstanding Checks	(185)		(15,756)
Certificates of Deposit			3,993,973
Fund Balance - Ending	<u>\$ 230,397</u>	<u>\$ 0</u>	<u>\$ 16,857,847</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, 2021**

**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 December 1, 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, 2021**  
**(Continued)**

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

Federal Grant Fund – The primary purpose of this fund is to account for the receipts and expenditures related to federal grants. The primary source of receipts for this fund are grants from the federal government.

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

American Rescue Act Plan Fund - The primary purpose of this fund is to account for activity related to American Rescue Act passed in 2021. The primary source of receipts for this fund is federal grant monies.

**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 within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the 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.

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. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. 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 listed 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. 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).

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

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

**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.

**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 organization's 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

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were not met, as the fiscal court did not have written agreements with two banks.

**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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. On June 30, 2021, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured                      \$278,220

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	LGEA Fund	Federal Grant Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	Public Improvement Corporation Fund	Total Transfers In
General Fund	\$			\$ 29,000	\$ 172,000		\$ 13,932	\$ 214,932
Road Fund		\$ 50,000	\$ 371,000	\$ 65,000		\$ 550,000		1,036,000
Jail Fund	1,563,716							1,563,716
Emergency Medical Services Fund	325,000					730,000		1,055,000
Landfill Fund	100,000							100,000
Occupational License Fund							42,000	42,000
Total Transfers Out	<u>\$ 1,988,716</u>	<u>\$ 50,000</u>	<u>\$ 371,000</u>	<u>\$ 94,000</u>	<u>\$ 172,000</u>	<u>\$ 1,280,000</u>	<u>\$ 55,932</u>	<u>\$ 4,011,648</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. Custodial Funds**

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

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2021, was \$830.

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, 2021, was \$73,000.

**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. Since the purchase of the land, 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, 2021, the county has spent a total of \$9,261,813 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, 2021.



**NELSON COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2021  
(Continued)**

**Note 6. Notes Receivable (Continued)**

**A. Roberts Road/Bellwood Road Waterlines Notes (Continued)**

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, 2021, 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, 2021, 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 December 1, 2007. As of June 30, 2021, 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, 2021, the fiscal court had loaned \$323,795 and the balance due to the fiscal court as of year-end totaled \$69,225. During the fiscal year 2021, 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, 2021, 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, 2021, the loan balance due was \$57,445.

**Note 7. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**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 2021, the fiscal court received \$5,418 in principal and interest from the Air Board.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Lease Agreement - Airport Hangar (Continued)**

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
2022	\$ 5,000	\$ 154
Totals	\$ 5,000	\$ 154

**2. 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 is secured by a lien granted by the borrower in the real property, pursuant to the mortgage. 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:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 36,667	\$
2023	36,667	
2024	36,667	
2025	36,667	
2026	36,667	
2027-2029	16,665	
Totals	\$ 200,000	\$ 0

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

**B. Other Debt**

**1. Justice Center Series 2002B First Mortgage Revenue Bonds**

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. The bonds are secured by a foreclosable first mortgage lien on the project. Future principal and interest payments are scheduled as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 25,000	\$ 2,250
2023	25,000	1,125
Totals	<u>\$ 50,000</u>	<u>\$ 3,375</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. The bonds are secured by a lien on the project. In the event of default, the county shall have the exclusive option to acquire the public project. The bonds will mature on June 1 of each year thereafter.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 800,000	\$ 57,880
2023	830,000	29,880
Totals	<u>\$ 1,630,000</u>	<u>\$ 87,760</u>

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

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 235,000	\$	\$ 30,000	\$ 205,000	\$ 41,667
Revenue Bonds	2,480,000		800,000	1,680,000	825,000
Total Long-term Debt	<u>\$ 2,715,000</u>	<u>\$ 0</u>	<u>\$ 830,000</u>	<u>\$ 1,885,000</u>	<u>\$ 866,667</u>

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 7. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

The aggregate debt schedule is as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 825,000	\$ 60,130	\$ 41,667	\$ 154
2023	25,000	1,125	36,667	
2024	830,000	29,880	36,667	
2025			36,667	
2026			36,667	
2027-2029			16,665	
Totals	<u>\$ 1,680,000</u>	<u>\$ 91,135</u>	<u>\$ 205,000</u>	<u>\$ 154</u>

**Note 8. 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, 2021, county engineers estimate that \$7,158,108 will be required for landfill closure cost and for post-closure care liability. Approximately 81.77 percent of the landfill airspace capacity has been used as of June 30, 2021. 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 \$108,067 per year for 30 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 postclosure care has been incurred to date.

**Note 9. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (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 2019 was \$1,811,392, FY 2020 was \$2,068,917, and FY 2021 was \$2,210,064.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

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 24.06 percent.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the 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 of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

Hazardous (Continued)

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 39.58 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:

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

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

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

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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

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

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

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of 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 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, 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.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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.

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

**Note 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 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, 2021, is \$22,510

**Note 12. Conduit Debt**

The county, in accordance with KRS 103.210, has issued industrial revenue bonds to provide financial assistance to a company for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Conduit debt obligations bear the Nelson County Fiscal Court's name as issuer. However, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The bonds, accordingly, are not reported as liabilities in the accompanying financial statement.



**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 13. Contingencies**

**A. Litigations**

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

**B. Pandemic**

In March 2020, the World Health Organization declared the novel global coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Center for Disease Control and Prevention confirmed the spread of the disease throughout the United States. Prior to June 30, 2021, and as of the date the financial statements were available to be issued, the Fiscal Court's operations have been significantly impacted by the COVID-19 outbreak. It is not possible to quantify the ultimate impact of the COVID-19 crisis at this time.

**Note 14. Tax Abatements**

The property tax was abated under the authority of the Kentucky business incentive program. The entities are eligible to receive this tax abatement due to four industrial revenue bond agreements. The taxes are abated by 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, 2021, property taxes totaling \$30,989 (Heaven Hill Distilleries Inc. \$13,097; Lux Row Distillers, LLC \$4,970; and The Bardstown Bourbon Company \$12,922) 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, 2021, property taxes totaling \$57,983 were abated related to this agreement.

**Note 15. Prior Period Adjustment**

	<u>Jail Commissary</u>	<u>Total Funds</u>
Ending Cash Balance Prior Year	\$ -	\$ 9,638,185
Adjustments:		
Exclusion Balance in Prior Year		
Due Qualified Opinion in Prior Year		
Unmodified in Current Year	<u>170,207</u>	<u>170,207</u>
Beginning Fund Balance Restated	<u>\$ 170,207</u>	<u>\$ 9,808,392</u>

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 7,228,000	\$ 7,350,000	\$ 7,570,741	\$ 220,741
Excess Fees	393,000	393,000	950,390	557,390
Licenses and Permits	517,500	550,500	589,249	38,749
Intergovernmental	713,300	741,300	711,878	(29,422)
Charges for Services	11,000	11,000	12,150	1,150
Miscellaneous	207,600	286,800	264,519	(22,281)
Interest	1,600	1,600	2,329	729
Total Receipts	<u>9,072,000</u>	<u>9,334,200</u>	<u>10,101,256</u>	<u>767,056</u>
<b>DISBURSEMENTS</b>				
General Government	1,648,300	1,776,600	1,578,137	198,463
Protection to Persons and Property	2,429,700	2,528,568	2,399,979	128,589
General Health and Sanitation	1,082,200	1,082,900	1,059,959	22,941
Social Services	174,700	174,900	128,950	45,950
Recreation and Culture	548,500	551,000	391,995	159,005
Roads	61,700	61,700	60,446	1,254
Bus Services	200,000	150,800	123,408	27,392
Debt Services		25,000	25,000	
Capital Projects	31,000	87,000	81,613	5,387
Administration	2,828,900	2,693,932	2,437,662	256,270
Total Disbursements	<u>9,005,000</u>	<u>9,132,400</u>	<u>8,287,149</u>	<u>845,251</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>67,000</u>	<u>201,800</u>	<u>1,814,107</u>	<u>1,612,307</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	257,000	257,000	214,932	(42,068)
Transfers To Other Funds	<u>(1,910,000)</u>	<u>(1,910,000)</u>	<u>(1,988,716)</u>	<u>(78,716)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,653,000)</u>	<u>(1,653,000)</u>	<u>(1,773,784)</u>	<u>(120,784)</u>
Net Change in Fund Balance	(1,586,000)	(1,451,200)	40,323	1,491,523
Fund Balance - Beginning	<u>1,586,000</u>	<u>1,586,000</u>	<u>1,601,939</u>	<u>15,939</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 134,800</u>	<u>\$ 1,642,262</u>	<u>\$ 1,507,462</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,803,800	\$ 2,366,100	\$ 2,065,458	\$ (300,642)
Miscellaneous	1,200	23,700	28,240	4,540
Total Receipts	<u>1,805,000</u>	<u>2,389,800</u>	<u>2,093,698</u>	<u>(296,102)</u>
<b>DISBURSEMENTS</b>				
Roads	2,177,700	3,029,800	2,775,745	254,055
Administration	654,300	758,000	492,302	265,698
Total Disbursements	<u>2,832,000</u>	<u>3,787,800</u>	<u>3,268,047</u>	<u>519,753</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,027,000)</u>	<u>(1,398,000)</u>	<u>(1,174,349)</u>	<u>223,651</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	665,000	665,000	1,036,000	371,000
Total Other Adjustments to Cash (Uses)	<u>665,000</u>	<u>665,000</u>	<u>1,036,000</u>	<u>371,000</u>
Net Change in Fund Balance	(362,000)	(733,000)	(138,349)	594,651
Fund Balance - Beginning	<u>362,000</u>	<u>362,000</u>	<u>197,006</u>	<u>(164,994)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (371,000)</u>	<u>\$ 58,657</u>	<u>\$ 429,657</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 683,000	\$ 683,000	\$ 558,193	\$ (124,807)
Charges for Services	75,000	75,000	24,390	(50,610)
Miscellaneous	55,000	55,000	97,203	42,203
Total Receipts	<u>813,000</u>	<u>813,000</u>	<u>679,786</u>	<u>(133,214)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,852,000	1,904,900	1,794,680	110,220
Administration	446,000	471,900	448,822	23,078
Total Disbursements	<u>2,298,000</u>	<u>2,376,800</u>	<u>2,243,502</u>	<u>133,298</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,485,000)</u>	<u>(1,563,800)</u>	<u>(1,563,716)</u>	<u>84</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,485,000	1,485,000	1,563,716	78,716
Total Other Adjustments to Cash (Uses)	<u>1,485,000</u>	<u>1,485,000</u>	<u>1,563,716</u>	<u>78,716</u>
Net Change in Fund Balance		(78,800)		78,800
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (78,800)</u>	<u>\$ 0</u>	<u>\$ 78,800</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 180,000	\$ 180,000	\$ 227,801	\$ 47,801
Total Receipts	<u>180,000</u>	<u>180,000</u>	<u>227,801</u>	<u>47,801</u>
<b>DISBURSEMENTS</b>				
Roads	150,000	150,000	123,275	26,725
Administration	107,000	107,000		107,000
Total Disbursements	<u>257,000</u>	<u>257,000</u>	<u>123,275</u>	<u>133,725</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(77,000)</u>	<u>(77,000)</u>	<u>104,526</u>	<u>181,526</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	
Net Change in Fund Balance	(127,000)	(127,000)	54,526	181,526
Fund Balance - Beginning	<u>127,000</u>	<u>127,000</u>	<u>142,951</u>	<u>15,951</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 197,477</u>	<u>\$ 197,477</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$		\$ 2,115,692	\$ 1,615,692
Total Receipts		500,000	2,115,692	1,615,692
<b>DISBURSEMENTS</b>				
Protection to Persons and Property		129,000	90,401	38,599
Total Disbursements		129,000	90,401	38,599
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		371,000	2,025,291	1,654,291
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(371,000)	(371,000)
Total Other Adjustments to Cash (Uses)			(371,000)	(371,000)
Net Change in Fund Balance		371,000	1,654,291	1,283,291
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 1,654,291	\$ 1,283,291

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

<b>EMERGENCY MEDICAL SERVICES FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Charges for Services	2,197,500	2,197,500	2,288,178	90,678
Miscellaneous		9,300	63,099	53,799
Total Receipts	<u>2,207,500</u>	<u>2,216,800</u>	<u>2,361,277</u>	<u>144,477</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,400,800	2,383,700	2,362,878	20,822
Administration	928,700	955,100	919,381	35,719
Total Disbursements	<u>3,329,500</u>	<u>3,338,800</u>	<u>3,282,259</u>	<u>56,541</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,122,000)</u>	<u>(1,122,000)</u>	<u>(920,982)</u>	<u>201,018</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,055,000</u>	<u>1,055,000</u>	<u>1,055,000</u>	
Total Other Adjustments to Cash (Uses)	<u>1,055,000</u>	<u>1,055,000</u>	<u>1,055,000</u>	
Net Change in Fund Balance	(67,000)	(67,000)	134,018	201,018
Fund Balance - Beginning	<u>67,000</u>	<u>67,000</u>	<u>57,658</u>	<u>(9,342)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 191,676</u>	<u>\$ 191,676</u>



**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>SOLID WASTE FUND</b>			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 57,500	\$ 57,500	\$ 67,491	\$ 9,991
Charges for Services	2,349,000	2,349,000	2,362,734	13,734
Miscellaneous	7,500	7,500	11,000	3,500
Total Receipts	<u>2,414,000</u>	<u>2,414,000</u>	<u>2,441,225</u>	<u>27,225</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,962,000	2,182,900	2,171,621	11,279
Administration	661,000	496,100	480,911	15,189
Total Disbursements	<u>2,623,000</u>	<u>2,679,000</u>	<u>2,652,532</u>	<u>26,468</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(209,000)</u>	<u>(265,000)</u>	<u>(211,307)</u>	<u>53,693</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(150,000)</u>	<u>(150,000)</u>	<u>(94,000)</u>	<u>56,000</u>
Total Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(94,000)</u>	<u>56,000</u>
Net Change in Fund Balance	(359,000)	(415,000)	(305,307)	109,693
Fund Balance - Beginning	<u>359,000</u>	<u>359,000</u>	<u>433,677</u>	<u>74,677</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (56,000)</u>	<u>\$ 128,370</u>	<u>\$ 184,370</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>LANDFILL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,000	\$
Charges for Services	3,040,000	3,040,000	3,395,329	355,329
Miscellaneous	43,000	43,000	67,106	24,106
Interest	18,500	18,500	31,316	12,816
Total Receipts	<u>3,105,500</u>	<u>3,105,500</u>	<u>3,497,751</u>	<u>392,251</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	2,007,000	2,199,500	1,808,134	391,366
Administration	1,700,500	1,508,000	480,339	1,027,661
Total Disbursements	<u>3,707,500</u>	<u>3,707,500</u>	<u>2,288,473</u>	<u>1,419,027</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(602,000)</u>	<u>(602,000)</u>	<u>1,209,278</u>	<u>1,811,278</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	100,000	100,000	100,000	
Transfers To Other Funds	(172,000)	(172,000)	(172,000)	
Total Other Adjustments to Cash (Uses)	<u>(72,000)</u>	<u>(72,000)</u>	<u>(72,000)</u>	
Net Change in Fund Balance	(674,000)	(674,000)	1,137,278	1,811,278
Fund Balance - Beginning	<u>674,000</u>	<u>674,000</u>	<u>6,925,906</u>	<u>6,251,906</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,063,184</u>	<u>\$ 8,063,184</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>OCCUPATIONAL LICENSE FEE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,426,424	\$ 126,424
Miscellaneous			100	100
Total Receipts	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,426,524</u>	<u>126,524</u>
<b>DISBURSEMENTS</b>				
General Government	193,200	193,800	156,324	37,476
Airports	7,200	27,200	24,800	2,400
Administration	85,600	65,600	30,684	34,916
Total Disbursements	<u>286,000</u>	<u>286,600</u>	<u>211,808</u>	<u>74,792</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,014,000</u>	<u>1,013,400</u>	<u>1,214,716</u>	<u>201,316</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	42,000	42,000	42,000	
Transfers To Other Funds	(1,280,000)	(1,280,000)	(1,280,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,238,000)</u>	<u>(1,238,000)</u>	<u>(1,238,000)</u>	
Net Change in Fund Balance	(224,000)	(224,600)	(23,284)	201,316
Fund Balance - Beginning	<u>224,000</u>	<u>224,000</u>	<u>224,708</u>	<u>708</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 201,424</u>	<u>\$ 202,024</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>AMERICAN RESCUE ACT PLAN</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 4,490,109	\$ 4,490,109
Total Receipts			4,490,109	4,490,109
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			4,490,109	4,490,109
Net Change in Fund Balance			4,490,109	4,490,109
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 4,490,109	\$ 4,490,109

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

**June 30, 2021**

**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.

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

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	12,859,387	271,547		13,130,934
Buildings	31,239,026	114,649		31,353,675
Vehicles	8,592,075	938,572		9,530,647
Computers	198,620			198,620
Equipment	5,612,967	173,118		5,786,085
Infrastructure	106,547,323			106,547,323
 Total Capital Assets	 <u>\$168,038,344</u>	 <u>\$ 1,497,886</u>	 <u>\$ 0</u>	 <u>\$169,536,230</u>

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

**June 30, 2021**

**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 and 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



**NELSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2021**

**NELSON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Commerce</u></b>				
<i>Passed-Through Kentucky Board of Elections</i>				
2018 Help America Vote (HAVA) Election Security Grants	90.404	15-7363644	\$ 25,533	\$ 25,533
<b>Total U.S. Department of Health &amp; Human Services</b>			<b>\$ 25,533</b>	<b>\$ 25,533</b>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through State Division of Emergency Management</i>				
Emergency Management Performance (2020)	97.042	SC-095-2100000605-1	\$ -	\$ 13,900
Emergency Management Performance (2019)	97.042	SC-095-2000000513-1	-	41,700
<b>Total U.S. Department of Homeland Security</b>			<b>\$ -</b>	<b>\$ 55,600</b>
<b><u>U.S. Office of National Drug and Control Policy</u></b>				
<i>Passed-Through Laurel County Fiscal Court</i>				
High Intensity Drug Trafficking Areas Program	95.001	G20 P0001A	\$ -	\$ 33,381
High Intensity Drug Trafficking Areas Program	95.001	G21 P0001A	-	15,172
<b>Total U.S. Office of National Drug and Control Policy</b>			<b>\$ -</b>	<b>\$ 48,553</b>
<b>U. S. Department of the Treasury</b>				
<i>Passed-Through State Department for Local Government</i>				
Coronavirus Relief Fund	21.019	PON2-112-2100000171-1	\$ -	\$ 978,709
Coronavirus Relief Fund	21.019	PON2-112-21000001369-1	-	541,634
<b>Total U.S. Department of the Treasury</b>			<b>\$ -</b>	<b>\$ 1,520,343</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 25,533</b>	<b>\$ 1,650,029</b>

**NELSON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Nelson County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Nelson County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Nelson County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Nelson County has not adopted an indirect cost rate.

**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***

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, 2021, 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 December 1, 2021.

**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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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*.

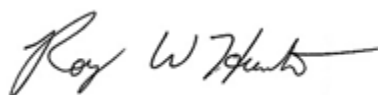
### **Views of Responsible Officials and Planned Corrective Action**

Nelson County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Questionable Costs. 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,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

December 1, 2021

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

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

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Nelson County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Nelson County Fiscal Court's major federal programs for the year ended June 30, 2021. The Nelson County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Nelson County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Nelson County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Nelson County Fiscal Court's compliance.



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

**Opinion on Each Major Federal Program**

In our opinion, the Nelson County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

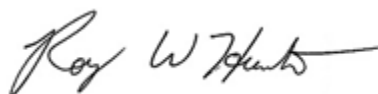
Management of the Nelson County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Nelson County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Nelson County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

**NELSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2021**

**NELSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2021**

**Section I: Summary of Auditor’s Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

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

**NELSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021  
(continued)**

**Section II: Financial Statement Findings**

2021-001 The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund

The Nelson County Jail lacked adequate segregation of duties over the accounting functions related to the jail commissary fund. The bookkeeper collected funds, issued receipts, posted transactions to the ledgers; however, compensating controls were implemented to offset the risk, such as a witness was present when the daily checkout sheets and deposits were prepared. Bank reconciliations are performed by an employee that does not record or collect receipts; however, the bank reconciliations are not reviewed by another employee. For disbursements, the bookkeeper prepared all checks and posted to the ledger with only one signature required on checks. There was no documentation that invoices, or other supporting document was reviewed or approved before payment was made. Oversight by either the Jailer or another employee was not documented for these activities. The Nelson County Jailer did not implement adequate policies and procedures to ensure effective internal controls including proper segregation of duties. A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Good internal controls dictate that the collection of receipts, recording of transactions, and financial reporting functions be segregated in order to reduce the opportunity for the misappropriation of assets and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in receiving cash, recording transactions, and reporting financial information. If segregation of duties is not possible, implementation of strong compensating controls is essential for providing protection from asset misappropriation and inaccurate financial reporting. We recommend that the Jail segregate duties where possible. If segregation of duties is not possible, the Jail should offset the lack of adequate segregation of duties by implementing compensating controls, such as periodically performing surprise cash counts, reviewing the bank reconciliations, and comparing the amount on the check written to the invoice or inmate account detail. In addition, there should be a comparison of the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer. Initialing and dating the bank reconciliations, and receipts and disbursements ledgers, and reports can document this review.

Views of Responsible Officials and Planned Corrective Action:

*County Judge/Executive's Response: Segregation of duties is a challenger to accomplish in a small facility with minimum staff, but cross training should also be implemented. The Jailer and his staff should work to mitigate this finding.*

*Jailer's Response: We, the Nelson County Jail, will segregate duties where possible. Implementing random cash counts, reviewing the bank reconciliations, and always comparing the amount on the check written to the invoice or inmate account detail. We will compare the monthly reports to the receipts and disbursements ledgers for accuracy by someone other than the preparer. The other person will initial and date the bank reconciliations, receipts, and disbursements ledgers, and the reports will be documented on a regular basis.*

**Section III: Federal Award Findings And Questioned Costs**

No Federal Award Findings And Questioned Costs

**NELSON COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(continued)**

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The Nelson County Fiscal Court Did Not Follow The Uniform Systems of Accounts When Preparing Their Original Budget	Resolved	Not Applicable.
2020-002	The Nelson County Fiscal Court Did Not Have A Written Collateral Security Agreements With Two Banks, Resulting in \$2,133,161 Deposits Being Unsecured At Year-End	Partially Resolved. (Obtained collateral security agreement with one of the two banks)	The Nelson County Fiscal Court will obtain a written collateral security agreement with the remaining bank.
2020-003	The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund	Partially Resolved (Material Weakness Prior Year, Significant Deficiency Current Year)	See Corrective Action for current year finding 2021-001.
2020-004	The Nelson County Jail Did Not Properly Account For Daily Receipts Or Prepare Required Annual Financial Statement For The Jail Commissary Account Resulting In A Qualified Opinion On The Financial Statement	Resolved	Not Applicable.
2020-005	The Jailer Failed To Properly Implement Controls Over The Inmate Trust Account	Resolved	Not Applicable.

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
NELSON COUNTY FISCAL COURT**

**For The Year Ended June 30, 2021**

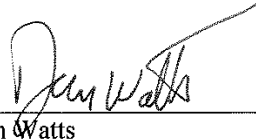
CERTIFICATE OF COMPLINACE

LOCAL GOVERNMET ECONOMIC ASSISTANCE

NELSON COUNTY FISCAL COURT

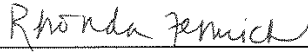
For The Year Ended June 30, 2021

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.



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Dean Watts  
County Judge/Executive



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Rhonda Fenwick  
County Treasurer