

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

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

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Lexington, KY 40509**

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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, Former Nelson County Judge/Executive  
The Honorable Nicky Rapier, Nelson County Judge/Executive  
Members of the Nelson County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

***Opinions***

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, 2022, 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.

*Unmodified Opinion on Regulatory Basis of Accounting*

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

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Nelson County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

***Basis for Opinions***

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

To the People of Kentucky

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### *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 and pervasive.

### *Responsibilities of Management for the Financial Statement*

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

### *Auditor's Responsibilities for the Audit of the Financial Statement*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nelson County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nelson County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

## **Other Matters**

### ***Supplementary Information***

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

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

### ***Other Information***

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

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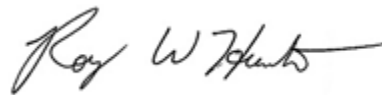
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelson County Fiscal Court's internal control over financial reporting and compliance.

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

2022-001 The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

November 8, 2022

## NELSON COUNTY OFFICIALS

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

### **Fiscal Court Members:**

Dean Watts	Former County Judge/Executive - July 1, 2021 - July 31, 2022
Nicky Rapiere	County Judge/Executive - August 1, 2022 - Present
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	Former Property Valuation Administrator - July 1, 2021 - February 28, 2022
Tracey Bonzo	Property Valuation Administrator - March 1, 2022 - Present
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, 2022**



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

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

	<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	\$ 8,277,410	\$	\$	\$
Excess Fees	1,189,665			
Licenses and Permits	559,615			
Intergovernmental	1,578,905	2,256,068	524,120	297,096
Charges for Services	36,124		47,007	
Miscellaneous	441,317	55,714	56,676	
Interest	2,643			
Total Receipts	<u>12,085,679</u>	<u>2,311,782</u>	<u>627,803</u>	<u>297,096</u>
<b>DISBURSEMENTS</b>				
General Government	1,601,912			
Protection to Persons and Property	2,607,266		1,878,784	
General Health and Sanitation	1,160,237			
Social Services	121,928			
Recreation and Culture	699,536			
Roads	65,433	2,733,708		99,032
Airports				
Bus Services	160,485			
Debt Service	1,025,284			
Capital Projects				
Administration	2,563,319	514,368	487,506	
Total Disbursements	<u>10,005,400</u>	<u>3,248,076</u>	<u>2,366,290</u>	<u>99,032</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,080,279</u>	<u>(936,294)</u>	<u>(1,738,487)</u>	<u>198,064</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	781,000	1,040,000	1,738,487	
Transfers To Other Funds	(2,327,487)			(150,000)
Total Other Adjustments to Cash (Uses)	<u>(1,546,487)</u>	<u>1,040,000</u>	<u>1,738,487</u>	<u>(150,000)</u>
Net Change in Fund Balance	533,792	103,706		48,064
Fund Balance - Beginning	1,642,262	58,657		197,477
Fund Balance - Ending	<u>\$ 2,176,054</u>	<u>\$ 162,363</u>	<u>\$ 0</u>	<u>\$ 245,541</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 2,170,350	\$ 162,363	\$	\$ 245,541
Add: Deposit in Transit	111,152			
Less: Outstanding Checks	(105,448)			
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 2,176,054</u>	<u>\$ 162,363</u>	<u>\$ 0</u>	<u>\$ 245,541</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, 2022**  
**(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>
\$	\$	\$	\$	\$ 1,561,166	\$
	18,800	67,036	4,000		4,490,109
	2,491,950	2,511,484	3,333,453		
	5,438	10,000	48,071		
			16,179		
	<u>2,516,188</u>	<u>2,588,520</u>	<u>3,401,703</u>	<u>1,561,166</u>	<u>4,490,109</u>
				184,043	46,260
	2,788,396				200,273
		1,843,277	1,974,069		51,195
					2,037
					173
					27,413
				12,000	
			1,646,312		16,240
	1,034,173	463,259	569,241	33,403	111,283
	<u>3,822,569</u>	<u>2,306,536</u>	<u>4,189,622</u>	<u>229,446</u>	<u>454,874</u>
	<u>(1,306,381)</u>	<u>281,984</u>	<u>(787,919)</u>	<u>1,331,720</u>	<u>4,035,235</u>
	1,341,000		100,000		
(1,001,000)		(150,000)	(172,000)	(1,200,000)	
(1,001,000)	1,341,000	(150,000)	(72,000)	(1,200,000)	
(1,001,000)	34,619	131,984	(859,919)	131,720	4,035,235
1,654,291	191,676	128,370	8,063,184	201,424	4,490,109
<u>\$ 653,291</u>	<u>\$ 226,295</u>	<u>\$ 260,354</u>	<u>\$ 7,203,265</u>	<u>\$ 333,144</u>	<u>\$ 8,525,344</u>
\$ 653,291	\$ 226,295	\$ 260,354	\$ 3,199,461	\$ 333,144	\$ 8,525,344
			(833)		
			4,004,637		
<u>\$ 653,291</u>	<u>\$ 226,295</u>	<u>\$ 260,354</u>	<u>\$ 7,203,265</u>	<u>\$ 333,144</u>	<u>\$ 8,525,344</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, 2022**  
**(Continued)**

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>		
Taxes	\$	\$ 9,838,576
Excess Fees		1,189,665
Licenses and Permits		559,615
Intergovernmental		9,236,134
Charges for Services		8,420,018
Miscellaneous	243,343	860,559
Interest		18,822
Total Receipts	<u>243,343</u>	<u>30,123,389</u>
<b>DISBURSEMENTS</b>		
General Government		1,832,215
Protection to Persons and Property		7,474,719
General Health and Sanitation		5,028,778
Social Services		123,965
Recreation and Culture	201,652	901,361
Roads		2,925,586
Airports		12,000
Bus Services		160,485
Debt Service		1,025,284
Capital Projects		1,662,552
Administration		5,776,552
Total Disbursements	<u>201,652</u>	<u>26,923,497</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>41,691</u>	<u>3,199,892</u>
<b>Other Adjustments to Cash (Uses)</b>		
Transfers From Other Funds		5,000,487
Transfers To Other Funds		(5,000,487)
Total Other Adjustments to Cash (Uses)		<u>                    </u>
Net Change in Fund Balance	41,691	3,199,892
Fund Balance - Beginning	<u>230,397</u>	<u>16,857,847</u>
Fund Balance - Ending	<u>\$ 272,088</u>	<u>\$ 20,057,739</u>
<b>Composition of Fund Balance</b>		
Bank Balance	\$ 272,088	\$ 16,048,231
Add: Deposit in Transit		111,152
Less: Outstanding Checks		(106,281)
Certificates of Deposit		4,004,637
Fund Balance - Ending	<u>\$ 272,088</u>	<u>\$ 20,057,739</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, 2022**

**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, 2022**  
**(Continued)**

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

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

**Budgeted Funds (Continued)**

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

Federal 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 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, 2022**  
**(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, 2022**  
**(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 government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



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

**Note 3. Transfers**

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

	General Fund	LGEA Fund	Federal Grant Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	Total Transfers In
General Fund	\$		\$ 524,000	\$ 85,000	\$ 172,000	\$	\$ 781,000
Road Fund		150,000	225,000	65,000		600,000	1,040,000
Jail Fund	1,738,487						1,738,487
Emergency Medical Services Fund	489,000		252,000			600,000	1,341,000
Landfill Fund	100,000						100,000
Total Transfers Out	<u>\$ 2,327,487</u>	<u>\$ 150,000</u>	<u>\$ 1,001,000</u>	<u>\$ 150,000</u>	<u>\$ 172,000</u>	<u>\$ 1,200,000</u>	<u>\$ 5,000,487</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, 2022, was \$3,149.

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, 2022, was \$82,000.

**Note 5. Lease**

During the current fiscal year, the fiscal court leased office space in three locations – the old courthouse, plaza center, and the civic center. The leases are for terms of 10 year each with an automatic renewal. The fiscal court recognized \$29,858 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, the fiscal court's receivable for lease payments was \$208,132.

**Note 6. 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, 2022, the county has spent a total of \$9,261,813 on this development.

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

**Note 7. 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, 2022.

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, 2022, 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, 2022, 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, 2022, 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, 2022, the fiscal court had loaned \$323,795 and the balance due to the fiscal court as of year-end totaled \$19,225. During the fiscal year 2022, 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, 2022, the loan balance was paid off. During the fiscal year 2022, a \$15,000 payment was received.

**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, 2022, the loan balance due was \$57,445.

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

**Note 8. 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 2022, the fiscal court received \$5,154 in principal and interest from the Air Board.

The lease contains a provision that in an event of default, outstanding amounts become immediately due if the fiscal court is unable to make payment. The fiscal court then paid the debt service to the trustee. The ending principal balance at June 30, 2022 was \$0.

**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
2023	\$ 36,667	\$
2024	28,333	
Totals	<u>\$ 65,000</u>	<u>\$ 0</u>

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

**Note 8. 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
2023	\$ 25,000	\$ 1,125
Totals	\$ 25,000	\$ 1,125

**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
2023	\$ 830,000	\$ 29,880
Totals	\$ 830,000	\$ 29,880

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 205,000	\$	\$ 140,000	\$ 65,000	\$ 36,667
Revenue Bonds	1,680,000		825,000	855,000	855,000
Total Long-term Debt	\$ 1,885,000	\$ 0	\$ 965,000	\$ 920,000	\$ 891,667

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

**Note 8. 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
2023	\$ 855,000	\$ 31,005	\$ 36,667	\$
2024			28,333	
Totals	<u>\$ 855,000</u>	<u>\$ 31,005</u>	<u>\$ 65,000</u>	<u>\$ 0</u>

**Note 9. 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, 2022, county engineers estimate that \$7,158,108 will be required for landfill closure cost and for post-closure care liability. Approximately 85.55 percent of the landfill airspace capacity has been used as of June 30, 2022. 401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site, and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post-closure care costs.

Nelson County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,916,108, and estimated post closure care costs total \$106,400 per year for 30 years. 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 10. 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 Public Pensions Authority (KPPA). 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 2020 was \$2,068,917, FY 2021 was \$2,210,064, and FY 2022 was \$2,416,939.

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

**Note 10. 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 KPPA 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 KPPA Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

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

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KPPA 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, 2022**  
**(Continued)**

**Note 10. 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 44.33 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

<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, 2022**  
**(Continued)**

**Note 10. 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 KPPA benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

F. Death Benefit

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

KPPA Annual Financial Report and Proportionate Share Audit Report

KPPA 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, 2022**  
**(Continued)**

**Note 10. Employee Retirement System (Continued)**

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

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

**Note 11. 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 KPPA 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 12. 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, 2022, is \$29,638.

**Note 13. 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, 2022**  
**(Continued)**

**Note 14. Contingencies**

**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.

**Note 15. 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, 2022, property taxes totaling \$40,053 (Heaven Hill Distilleries Inc. \$17,920; Lux Row Distillers, LLC \$6,627; and The Bardstown Bourbon Company \$15,506) 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, 2022, property taxes totaling \$69,582 were abated related to this agreement.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 7,729,500	\$ 8,333,500	\$ 8,277,410	\$ (56,090)
Excess Fees	449,000	449,000	1,189,665	740,665
Licenses and Permits	524,800	524,800	559,615	34,815
Intergovernmental	1,616,100	1,616,100	1,578,905	(37,195)
Charges for Services	10,000	10,000	36,124	26,124
Miscellaneous	302,900	302,900	441,317	138,417
Interest	1,700	1,700	2,643	943
Total Receipts	<u>10,634,000</u>	<u>11,238,000</u>	<u>12,085,679</u>	<u>847,679</u>
<b>DISBURSEMENTS</b>				
General Government	1,811,800	1,859,800	1,601,912	257,888
Protection to Persons and Property	2,532,400	2,659,200	2,607,266	51,934
General Health and Sanitation	1,125,500	1,171,000	1,160,237	10,763
Social Services	163,600	167,100	121,928	45,172
Recreation and Culture	673,500	782,600	699,536	83,064
Roads	63,200	65,500	65,433	67
Bus Services	170,000	170,000	160,485	9,515
Debt Services	890,700	1,025,700	1,025,284	416
Administration	2,985,300	3,306,400	2,563,319	743,081
Total Disbursements	<u>10,416,000</u>	<u>11,207,300</u>	<u>10,005,400</u>	<u>1,201,900</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>218,000</u>	<u>30,700</u>	<u>2,080,279</u>	<u>2,049,579</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	781,000	781,000	781,000	
Transfers To Other Funds	<u>(2,350,000)</u>	<u>(2,350,000)</u>	<u>(2,327,487)</u>	<u>22,513</u>
Total Other Adjustments to Cash (Uses)	<u>(1,569,000)</u>	<u>(1,569,000)</u>	<u>(1,546,487)</u>	<u>22,513</u>
Net Change in Fund Balance	(1,351,000)	(1,538,300)	533,792	2,072,092
Fund Balance - Beginning	<u>1,351,000</u>	<u>1,642,000</u>	<u>1,642,262</u>	<u>262</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 103,700</u>	<u>\$ 2,176,054</u>	<u>\$ 2,072,354</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,896,500	\$ 2,392,600	\$ 2,256,068	\$ (136,532)
Miscellaneous	3,500	54,900	55,714	814
Total Receipts	<u>1,900,000</u>	<u>2,447,500</u>	<u>2,311,782</u>	<u>(135,718)</u>
<b>DISBURSEMENTS</b>				
Roads	2,633,000	3,193,200	2,733,708	459,492
Administration	<u>602,000</u>	<u>589,300</u>	<u>514,368</u>	<u>74,932</u>
Total Disbursements	<u>3,235,000</u>	<u>3,782,500</u>	<u>3,248,076</u>	<u>534,424</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,335,000)</u>	<u>(1,335,000)</u>	<u>(936,294)</u>	<u>398,706</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>1,040,000</u>	<u>1,040,000</u>	<u>1,040,000</u>	
Total Other Adjustments to Cash (Uses)	<u>1,040,000</u>	<u>1,040,000</u>	<u>1,040,000</u>	
Net Change in Fund Balance	(295,000)	(295,000)	103,706	398,706
Fund Balance - Beginning	<u>295,000</u>	<u>295,000</u>	<u>58,657</u>	<u>(236,343)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 162,363</u>	<u>\$ 162,363</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 626,000	\$ 626,000	\$ 524,120	\$ (101,880)
Charges for Services	75,000	75,000	47,007	(27,993)
Miscellaneous	63,000	123,500	56,676	(66,824)
Total Receipts	<u>764,000</u>	<u>824,500</u>	<u>627,803</u>	<u>(196,697)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,867,300	2,055,700	1,878,784	176,916
Administration	531,700	507,500	487,506	19,994
Total Disbursements	<u>2,399,000</u>	<u>2,563,200</u>	<u>2,366,290</u>	<u>196,910</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,635,000)</u>	<u>(1,738,700)</u>	<u>(1,738,487)</u>	<u>213</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,635,000	1,635,000	1,738,487	103,487
Total Other Adjustments to Cash (Uses)	<u>1,635,000</u>	<u>1,635,000</u>	<u>1,738,487</u>	<u>103,487</u>
Net Change in Fund Balance		(103,700)		103,700
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (103,700)</u>	<u>\$ 0</u>	<u>\$ 103,700</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	\$ 190,000	\$ 190,000	\$ 297,096	\$ 107,096
Total Receipts	<u>190,000</u>	<u>190,000</u>	<u>297,096</u>	<u>107,096</u>
<b>DISBURSEMENTS</b>				
Roads	140,000	140,000	99,032	40,968
Administration	68,000	68,000		68,000
Total Disbursements	<u>208,000</u>	<u>208,000</u>	<u>99,032</u>	<u>108,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>198,064</u>	<u>216,064</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	
Net Change in Fund Balance	(168,000)	(168,000)	48,064	216,064
Fund Balance - Beginning	<u>168,000</u>	<u>168,000</u>	<u>197,477</u>	<u>29,477</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 245,541</u>	<u>\$ 245,541</u>

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

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>DISBURSEMENTS</b>				
Administration	\$ 653,000	\$ 653,000	\$ 0	\$ 653,000
Total Disbursements	653,000	653,000		653,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(653,000)	(653,000)		653,000
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(1,001,000)	(1,001,000)	(1,001,000)	
Total Other Adjustments to Cash (Uses)	(1,001,000)	(1,001,000)	(1,001,000)	
Net Change in Fund Balance	(1,654,000)	(1,654,000)	(1,001,000)	653,000
Fund Balance - Beginning	1,654,000	1,654,000	1,654,291	291
Fund Balance - Ending	\$ 0	\$ 0	\$ 653,291	\$ 653,291



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

	<b>EMERGENCY MEDICAL SERVICES FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 88,000	\$ 88,000	\$ 18,800	\$ (69,200)
Charges for Services	2,388,000	2,388,000	2,491,950	103,950
Miscellaneous	3,000	3,000	5,438	2,438
Total Receipts	<u>2,479,000</u>	<u>2,479,000</u>	<u>2,516,188</u>	<u>37,188</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,929,000	2,965,500	2,788,396	177,104
Administration	1,113,000	1,171,500	1,034,173	137,327
Total Disbursements	<u>4,042,000</u>	<u>4,137,000</u>	<u>3,822,569</u>	<u>314,431</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,563,000)</u>	<u>(1,658,000)</u>	<u>(1,306,381)</u>	<u>351,619</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,467,000	1,467,000	1,341,000	(126,000)
Total Other Adjustments to Cash (Uses)	<u>1,467,000</u>	<u>1,467,000</u>	<u>1,341,000</u>	<u>(126,000)</u>
Net Change in Fund Balance	(96,000)	(191,000)	34,619	225,619
Fund Balance - Beginning	<u>96,000</u>	<u>191,000</u>	<u>191,676</u>	<u>676</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,295</u>	<u>\$ 226,295</u>

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

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 57,500	\$ 57,500	\$ 67,036	\$ 9,536
Charges for Services	2,427,500	2,427,500	2,511,484	83,984
Miscellaneous	5,000	5,000	10,000	5,000
Total Receipts	<u>2,490,000</u>	<u>2,490,000</u>	<u>2,588,520</u>	<u>98,520</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,835,400	1,907,900	1,843,277	64,623
Administration	583,600	511,100	463,259	47,841
Total Disbursements	<u>2,419,000</u>	<u>2,419,000</u>	<u>2,306,536</u>	<u>112,464</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>71,000</u>	<u>71,000</u>	<u>281,984</u>	<u>210,984</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(150,000)	(150,000)	(150,000)	
Total Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	
Net Change in Fund Balance	(79,000)	(79,000)	131,984	210,984
Fund Balance - Beginning	<u>79,000</u>	<u>79,000</u>	<u>128,370</u>	<u>49,370</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 260,354</u>	<u>\$ 260,354</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	3,217,000	3,217,000	3,333,453	116,453
Miscellaneous	43,200	43,200	48,071	4,871
Interest	18,800	18,800	16,179	(2,621)
Total Receipts	<u>3,283,000</u>	<u>3,283,000</u>	<u>3,401,703</u>	<u>118,703</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,752,500	2,024,000	1,974,069	49,931
Capital Projects	750,000	1,734,800	1,646,312	88,488
Administration	1,857,500	931,200	569,241	361,959
Total Disbursements	<u>4,360,000</u>	<u>4,690,000</u>	<u>4,189,622</u>	<u>500,378</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,077,000)</u>	<u>(1,407,000)</u>	<u>(787,919)</u>	<u>619,081</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	(1,149,000)	(1,479,000)	(859,919)	619,081
Fund Balance - Beginning	<u>1,149,000</u>	<u>1,479,000</u>	<u>8,063,184</u>	<u>6,584,184</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,203,265</u>	<u>\$ 7,203,265</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	\$ 1,350,000	\$ 1,350,000	\$ 1,561,166	\$ 211,166
Total Receipts	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,561,166</u>	<u>211,166</u>
<b>DISBURSEMENTS</b>				
General Government	192,200	196,900	184,043	12,857
Airports	9,600	12,000	12,000	
Administration	64,200	57,100	33,403	23,697
Total Disbursements	<u>266,000</u>	<u>266,000</u>	<u>229,446</u>	<u>36,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,084,000</u>	<u>1,084,000</u>	<u>1,331,720</u>	<u>247,720</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(1,200,000)	(1,200,000)	(1,200,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	
Net Change in Fund Balance	(116,000)	(116,000)	131,720	247,720
Fund Balance - Beginning	<u>116,000</u>	<u>116,000</u>	<u>201,424</u>	<u>85,424</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 333,144</u>	<u>\$ 333,144</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	\$ 4,490,000	\$ 4,490,000	\$ 4,490,109	\$ 109
Total Receipts	4,490,000	4,490,000	4,490,109	109
<b>DISBURSEMENTS</b>				
General Government		46,300	46,260	40
Protection to Persons and Property		200,700	200,273	427
General Health and Sanitation		51,200	51,195	5
Social Services		2,100	2,037	63
Recreation and Culture		200	173	27
Roads		27,500	27,413	87
Capital Projects		16,300	16,240	60
Administration	8,980,000	8,635,700	111,283	8,524,417
Total Disbursements	8,980,000	8,980,000	454,874	8,524,417
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,490,000)	(4,490,000)	4,035,235	8,524,526
Net Change in Fund Balance	(4,490,000)	(4,490,000)	4,035,235	8,525,235
Fund Balance - Beginning	4,490,000	4,490,000	4,490,109	109
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,525,344	\$ 8,525,344

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

**June 30, 2022**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting 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, 2022**

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 2,988,946	\$	\$	\$ 2,988,946
Land Improvements	13,130,934	1,741,915		14,872,849
Buildings	31,353,675	116,280		31,469,955
Vehicles	9,530,647	601,109	1,411,015	8,720,741
Computers	198,620	25,405		224,025
Equipment	5,786,085	330,936	48,771	6,068,250
Infrastructure	106,547,323			106,547,323
 Total Capital Assets	 <u>\$169,536,230</u>	 <u>\$ 2,815,645</u>	 <u>\$ 1,459,786</u>	 <u>\$170,892,089</u>



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

**June 30, 2022**

**Note 1. Capital Assets**

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

	<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

**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, Former Nelson County Judge/Executive  
The Honorable Nicky Rapier, 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, 2022, and the related notes to the financial statement which collectively comprise the Nelson County Fiscal Court's financial statement and have issued our report thereon dated November 8, 2022.

**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.

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. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a material weakness.

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

**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*.

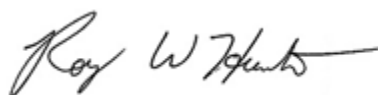
**Views of Responsible Officials and Planned Corrective Action**

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

**Purpose of this Report**

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

Respectfully submitted,



Roy W. Hunter, CPA, PLLC  
Lexington, Kentucky

November 8, 2022

**NELSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

**NELSON COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL – MATERIAL WEAKNESS:

2022-001 The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund

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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, and reconciled bank reconciliation; however, compensating controls were implemented to reduce the risk, such as a witness was present when the daily checkout sheets and deposits were prepared, and receipts area created in numerical order. 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: Jailer will respond.*

*Jailer's Response: We, the Nelson County Jail, have a clear understanding of the segregation of duties over the jail commissary fund. Clearly as stated in the finding, one person will solely be responsible for the jail commissary fund summary and reconciliation. Then a separate person will make the deposits and daily recordings.*

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

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

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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.



\_\_\_\_\_  
Dean Watts  
County Judge/Executive



\_\_\_\_\_  
Rhonda Fenwick  
County Treasurer