

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

**For The Year Ended
June 30, 2023**

**Roy W Hunter, CPA, PLLC
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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE
PROGRAM

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Tim Hutchins, 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, 2023, 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, 2023, 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, 2023, 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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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

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

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

Other Information

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

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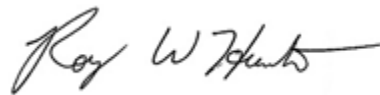
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2024 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:

2023-001 The Nelson County Jail Had Weakness in Internal Controls That Lead to Noncompliances With Laws and Regulations

Respectfully submitted,

A handwritten signature in black ink that reads "Roy W. Hunter". The signature is written in a cursive, flowing style.

Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

February 7, 2024

NELSON COUNTY OFFICIALS

For The Year Ended June 30, 2023

Fiscal Court Members:

Dean Watts	Former County Judge/Executive - July 1, 2021 - July 31, 2022
Nicky Rapier	Former County Judge/Executive - August 1, 2022 - December 31, 2022
Tim Hutchins	County Judge/Executive - January 1, 2023 - Present
Keith Metcalfe	Magistrate
Gary Coulter	Former Magistrate - July 1, 2022 -December 31, 2022
Adam Wheatley	Magistrate - January 1, 2023 - Present
Bernard Ice	Former Magistrate - July 1, 2022 -December 31, 2022
M. T. Harned	Magistrate - January 1, 2023 - Present
Jeff Lear	Magistrate
Eric Shelburne	Former Magistrate - July 1, 2022 -December 31, 2022
Jon Snow	Magistrate - January 1, 2023 - Present

Other Elected Officials:

Matthew Hite	Former County Attorney- July 1, 2022 - December 31, 2022
Arch "Chip" McKay	County Attorney - January 1, 2023 - Present
John Snellen	Former Jailer - July 1, 2022 - January 1, 2023
Justin Hall	Jailer - January 2, 2023 - Present
Jeanette Sidebottom	County Clerk
Diane Thompson	Circuit Court Clerk
Ramon Pineiroa	Sheriff
Tracey Bonzo	Former Property Valuation Administrator - July 1, 2022 - December 31, 2022
Jay Williams	Property Valuation Administrator - January 1, 2023 - Present
Rayfield Houghlin	Former Coroner- July 1, 2022 - December 31, 2022
Danielle Chladek	Coroner - January 1, 2023 - Present

Appointed Personnel:

Rhonda Fenwick	County Treasurer
Teresa Blandford	Occupational Tax Administrator
Carole Bryan	Personnel/Payroll Officer
Chris Martin	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, 2023

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

For The Year Ended June 30, 2023

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 9,179,419	\$	\$	\$
Excess Fees	902,353			
Licenses and Permits	859,099			
Intergovernmental	1,866,212	2,104,172	704,663	345,451
Charges for Services	92,733		36,557	
Miscellaneous	1,531,274	7,169	38,071	
Interest	2,776			
Total Receipts	<u>14,433,866</u>	<u>2,111,341</u>	<u>779,291</u>	<u>345,451</u>
DISBURSEMENTS				
General Government	2,202,688			
Protection to Persons and Property	2,691,534		2,066,192	
General Health and Sanitation	1,318,325			
Social Services	129,153			
Recreation and Culture	844,895			
Roads	74,387	2,882,098		102,478
Airports				
Bus Services	217,295			
Debt Service	951,005			
Capital Projects	22,050			
Administration	2,805,348	514,997	600,854	
Total Disbursements	<u>11,256,680</u>	<u>3,397,095</u>	<u>2,667,046</u>	<u>102,478</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,177,186</u>	<u>(1,285,754)</u>	<u>(1,887,755)</u>	<u>242,973</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	257,000	1,317,300	1,887,755	
Transfers To Other Funds	(3,593,755)			(250,000)
Total Other Adjustments to Cash (Uses)	<u>(3,336,755)</u>	<u>1,317,300</u>	<u>1,887,755</u>	<u>(250,000)</u>
Net Change in Fund Balance	(159,569)	31,546		(7,027)
Fund Balance - Beginning	2,176,054	162,363		245,541
Fund Balance - Ending	<u>\$ 2,016,485</u>	<u>\$ 193,909</u>	<u>\$ 0</u>	<u>\$ 238,514</u>
Composition of Fund Balance				
Bank Balance	\$ 2,045,302	\$ 193,909	\$	\$ 238,514
Add: Deposit in Transit	11,162			
Less: Outstanding Checks	(39,979)			
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 2,016,485</u>	<u>\$ 193,909</u>	<u>\$ 0</u>	<u>\$ 238,514</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, 2023
(Continued)

Budgeted Funds						
Federal Grants Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	County Clerk Permanent Storage Fund	American Rescue Plan Act Fund
\$	\$	\$	\$	\$ 1,656,859	\$	\$
	15,408	80,844	4,000			50,000
	2,753,365	2,606,204	3,724,680			
	4,356	17,500	66,411		76,340	
			35,454		10	
	<u>2,773,129</u>	<u>2,704,548</u>	<u>3,830,545</u>	<u>1,656,859</u>	<u>76,350</u>	<u>50,000</u>
				165,904	51,371	
25,792	2,760,813	1,908,616	2,652,105			
				19,600		
			224,616			918,639
	1,031,382	515,279	587,314	32,644		
25,792	<u>3,792,195</u>	<u>2,423,895</u>	<u>3,464,035</u>	<u>218,148</u>	<u>51,371</u>	<u>918,639</u>
(25,792)	(1,019,066)	280,653	366,510	1,438,711	24,979	(868,639)
	1,300,000		1,106,000			
(300,000)		(252,300)	(172,000)	(1,300,000)		
(300,000)	1,300,000	(252,300)	934,000	(1,300,000)		
(325,792)	280,934	28,353	1,300,510	138,711	24,979	(868,639)
653,291	226,295	260,354	7,203,265	333,144		8,525,344
\$ 327,499	\$ 507,229	\$ 288,707	\$ 8,503,775	\$ 471,855	\$ 24,979	\$ 7,656,705
\$ 327,499	\$ 507,229	\$ 288,707	\$ 4,488,862	\$ 471,855	\$ 24,979	\$ 7,656,705
			(6,111)			
			4,021,024			
\$ 327,499	\$ 507,229	\$ 288,707	\$ 8,503,775	\$ 471,855	\$ 24,979	\$ 7,656,705

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, 2023
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 10,836,278
Excess Fees		902,353
Licenses and Permits		859,099
Intergovernmental		5,170,750
Charges for Services		9,213,539
Miscellaneous	352,620	2,093,741
Interest		38,240
Total Receipts	<u>352,620</u>	<u>29,114,000</u>
DISBURSEMENTS		
General Government		2,419,963
Protection to Persons and Property		7,544,331
General Health and Sanitation		5,879,046
Social Services		129,153
Recreation and Culture	434,690	1,279,585
Roads		3,058,963
Airports		19,600
Bus Services		217,295
Debt Service		951,005
Capital Projects		1,165,305
Administration		6,087,818
Total Disbursements	<u>434,690</u>	<u>28,752,064</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(82,070)</u>	<u>361,936</u>
Other Adjustments to Cash (Uses)		
Transfers From Other Funds		5,868,055
Transfers To Other Funds		(5,868,055)
Total Other Adjustments to Cash (Uses)		<u> </u>
Net Change in Fund Balance	(82,070)	361,936
Fund Balance - Beginning	<u>272,088</u>	<u>20,057,739</u>
Fund Balance - Ending	<u>\$ 190,018</u>	<u>\$ 20,419,675</u>
Composition of Fund Balance		
Bank Balance	\$ 190,018	\$ 16,433,579
Add: Deposit in Transit		11,162
Less: Outstanding Checks		(46,090)
Certificates of Deposit		4,021,024
Fund Balance - Ending	<u>\$ 190,018</u>	<u>\$ 20,419,675</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, 2023

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, 2023
(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.

County Clerk Permanent Storage Fund - The primary purpose of this fund is to account for the expenses related to the clerk's storage costs. The primary source of receipts for this fund is the monies from consumers for storage fees paid.

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, 2023
(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, 2023
(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, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2023.

	General Fund	LGEA Fund	Federal Grant Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	Total Transfers In
General Fund	\$			\$ 85,000	\$ 172,000		\$ 257,000
Road Fund		250,000	300,000	167,300		600,000	1,317,300
Jail Fund	1,887,755						1,887,755
Emergency Medical Services Fund	600,000					700,000	1,300,000
Landfill Fund	1,106,000						1,106,000
Total Transfers Out	\$ 3,593,755	\$ 250,000	\$ 300,000	\$ 252,300	\$ 172,000	\$ 1,300,000	\$ 5,868,055

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, 2023, was \$12,943.

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, 2023, was \$90,900.

Note 5. Leases

A. Lessor

1. Nelson County Economic Development Agency Office Space Lease

On October 1, 2014, Nelson County began leasing office space to the Nelson County Economic Development Agency. The lease is for ten years, and Nelson County will receive annually payments of \$12,731. Nelson County recognized \$12,731 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$25,462.

2. Town & Country Bank Retail Lease

On October 1, 2004, Nelson County began leasing office space to Town & Country Bank. The lease is for ten years, and Nelson County will receive monthly payments of \$612. Nelson County recognized \$7,344 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$15,300.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

A. Lessor (Continued)

3. Nelson County Extension Office Space Lease

On October 1, 2014, Nelson County began leasing office space to the Nelson County Extension Office. The lease is for ten years, and Nelson County will receive annually payments of \$9,783. Nelson County recognized \$9,783 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$19,566.

4. Keeling Farm

On January 1, 2022, Nelson County began leasing land to Keeling Farms for the right to plant and harvest row crops. The lease is for three years, and Nelson County will receive annual payments of \$32,775. Nelson County recognized \$32,775 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$65,550.

5. Mattingly Farm

On January 1, 2022, Nelson County began leasing land to Mattingly Farms for the right to plant and harvest row crops. The lease is for three years, and Nelson County will receive annual payments of \$5,733. Nelson County recognized \$5,733 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$11,466.

6. Fine Arts of Bardstown Society, Inc. Office Space

On August 1, 2022, Nelson County began leasing office space to the Fine Arts of Bardstown, Society, Inc. The lease is for two years, and Nelson County will receive monthly payments of \$500. Nelson County recognized \$6,000 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$500.

7. Lincoln Trail Area Development District Office Space

On November 7, 2022, Nelson County began leasing office space to the Lincoln Trail Area Development District. The lease is for five years, and Nelson County will receive monthly payments of \$500. Nelson County recognized \$3,500 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, Nelson County's receivable for lease payments was \$26,500.

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

Note 5. Leases (Continued)

B. Lessee

County Judge's Office Postage Machine

On September 1, 2021, Nelson County entered into a three-year lease agreement as lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$372 during the current fiscal year, which is the quarterly payment of \$93. As of June 30, 2023, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payments is \$465.

Fiscal Year Ended	
June 30	Amount
2024	\$ 372
2025	93
	<u>\$ 465</u>

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, 2023, the county has spent a total of \$9,261,813 on this development. During fiscal year 2023, \$1,006,366 of proceeds were received for the land sales. The sales represented 61.977 acres.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(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, 2023.

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, 2023, 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, 2023, 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, 2023, 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, 2023, the fiscal court had loaned \$323,795 and the balance due to the fiscal court as of year-end totaled \$0. During the fiscal year 2023, a \$19,225 payment was received.

C. 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, 2023, the loan balance due was \$51,745. During the fiscal year 2023, a \$5,700 payment was received.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 8. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 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 Corporation. 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. The loan was paid off in fiscal year ending June 30, 2023.

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. The bonds were retired in fiscal year ending June 30, 2023.

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. The bonds were retired in fiscal year ending June 30, 2023.

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 65,000	\$	\$ 65,000	\$	\$
Revenue Bonds	855,000		855,000		
Total Long-term Debt	\$ 920,000	\$ 0	\$ 920,000	\$ 0	\$ 0

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

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, 2023, 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, 2023. 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 2021 was \$2,210,064, FY 2022 was \$2,416,939, and FY 2023 was \$2,808,318.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(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 26.79 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, 2023
(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 49.59 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

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

Benefits are covered under KRS 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, 2023
(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, 2023
(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 \$1,500 each year to pay for qualified medical expenses. The cash balance in the health reimbursement account per accounting as of June 30, 2023, is \$37,349.

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, 2023
(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, 2023, property taxes totaling \$48,273 (Heaven Hill Distilleries Inc. \$21,750; Lux Row Distillers, LLC \$8,283; and The Bardstown Bourbon Company \$18,240) 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, 2023, property taxes totaling \$81,178 were abated related to this agreement.

Note 16. Receivable Due From Jail Commissary

As of June 30, 2023, the jail fund was due \$62,815 from the jail commissary related to inmate fees collected, telecommunication commissary monies collected, and jail commissary expenditures paid by jail fund that were unpaid as of June 30, 2023.

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

For The Year Ended June 30, 2023

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,306,000	\$ 8,306,000	\$ 9,179,419	\$ 873,419
Excess Fees	476,000	776,000	902,353	126,353
Licenses and Permits	542,500	542,500	859,099	316,599
Intergovernmental	1,818,600	1,818,600	1,866,212	47,612
Charges for Services	58,000	58,000	92,733	34,733
Miscellaneous	252,300	1,258,300	1,531,274	272,974
Interest	2,600	2,600	2,776	176
Total Receipts	<u>11,456,000</u>	<u>12,762,000</u>	<u>14,433,866</u>	<u>1,671,866</u>
DISBURSEMENTS				
General Government	1,793,300	2,449,700	2,202,688	247,012
Protection to Persons and Property	2,726,600	2,788,500	2,691,534	96,966
General Health and Sanitation	1,298,400	1,331,400	1,318,325	13,075
Social Services	169,000	169,500	129,153	40,347
Recreation and Culture	706,400	882,700	844,895	37,805
Roads	68,800	74,400	74,387	13
Bus Services	170,000	217,300	217,295	5
Debt Services	987,000	987,000	951,005	35,995
Capital Projects		89,000	22,050	66,950
Administration	3,017,500	3,372,500	2,805,348	567,152
Total Disbursements	<u>10,937,000</u>	<u>12,362,000</u>	<u>11,256,680</u>	<u>1,105,320</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>519,000</u>	<u>400,000</u>	<u>3,177,186</u>	<u>2,777,186</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	257,000	257,000	257,000	
Transfers To Other Funds	<u>(2,625,000)</u>	<u>(2,625,000)</u>	<u>(3,593,755)</u>	<u>(968,755)</u>
Total Other Adjustments to Cash (Uses)	<u>(2,368,000)</u>	<u>(2,368,000)</u>	<u>(3,336,755)</u>	<u>(968,755)</u>
Net Change in Fund Balance	(1,849,000)	(1,968,000)	(159,569)	1,808,431
Fund Balance - Beginning	<u>1,849,000</u>	<u>2,174,000</u>	<u>2,176,054</u>	<u>2,054</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 206,000</u>	<u>\$ 2,016,485</u>	<u>\$ 1,810,485</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,176,200	\$ 2,374,200	\$ 2,104,172	\$ (270,028)
Miscellaneous	2,800	2,800	7,169	4,369
Total Receipts	<u>2,179,000</u>	<u>2,377,000</u>	<u>2,111,341</u>	<u>(265,659)</u>
DISBURSEMENTS				
Roads	2,861,500	3,280,200	2,882,098	398,102
Administration	714,800	576,100	514,997	61,103
Total Disbursements	<u>3,576,300</u>	<u>3,856,300</u>	<u>3,397,095</u>	<u>459,205</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,397,300)</u>	<u>(1,479,300)</u>	<u>(1,285,754)</u>	<u>193,546</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,317,300	1,317,300	1,317,300	
Total Other Adjustments to Cash (Uses)	<u>1,317,300</u>	<u>1,317,300</u>	<u>1,317,300</u>	
Net Change in Fund Balance	(80,000)	(162,000)	31,546	193,546
Fund Balance - Beginning	80,000	162,000	162,363	363
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 193,909</u>	<u>\$ 193,909</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 510,000	\$ 556,000	\$ 704,663	\$ 148,663
Charges for Services	20,000	20,000	36,557	16,557
Miscellaneous	178,000	178,000	38,071	(139,929)
Total Receipts	<u>708,000</u>	<u>754,000</u>	<u>779,291</u>	<u>25,291</u>
DISBURSEMENTS				
Protection to Persons and Property	2,010,000	2,220,500	2,066,192	154,308
Administration	563,000	604,500	600,854	3,646
Total Disbursements	<u>2,573,000</u>	<u>2,825,000</u>	<u>2,667,046</u>	<u>157,954</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,865,000)</u>	<u>(2,071,000)</u>	<u>(1,887,755)</u>	<u>183,245</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,865,000</u>	<u>1,865,000</u>	<u>1,887,755</u>	<u>22,755</u>
Total Other Adjustments to Cash (Uses)	<u>1,865,000</u>	<u>1,865,000</u>	<u>1,887,755</u>	<u>22,755</u>
Net Change in Fund Balance		(206,000)		206,000
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (206,000)</u>	<u>\$ 0</u>	<u>\$ 206,000</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 240,000	\$ 240,000	\$ 345,451	\$ 105,451
Total Receipts	240,000	240,000	345,451	105,451
DISBURSEMENTS				
Roads	105,000	105,000	102,478	2,522
Administration	126,000	126,000		126,000
Total Disbursements	231,000	231,000	102,478	128,522
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	9,000	9,000	242,973	233,973
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(250,000)	(250,000)	(250,000)	
Total Other Adjustments to Cash (Uses)	(250,000)	(250,000)	(250,000)	
Net Change in Fund Balance	(241,000)	(241,000)	(7,027)	233,973
Fund Balance - Beginning	241,000	241,000	245,541	4,541
Fund Balance - Ending	\$ 0	\$ 0	\$ 238,514	\$ 238,514

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 12,000,000	\$ 12,000,000	\$	\$ (12,000,000)
Total Receipts	12,000,000	12,000,000		(12,000,000)
DISBURSEMENTS				
Protection to Persons and Property		25,800	25,792	8
Capital	12,000,000	12,000,000		12,000,000
Administration	353,000	327,200	-	327,200
Total Disbursements	12,353,000	12,353,000	25,792	12,327,208
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(353,000)	(353,000)	(25,792)	327,208
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(300,000)	(300,000)	(300,000)	
Total Other Adjustments to Cash (Uses)	(300,000)	(300,000)	(300,000)	
Net Change in Fund Balance	(653,000)	(653,000)	(325,792)	327,208
Fund Balance - Beginning	653,000	653,000	653,291	291
Fund Balance - Ending	\$ 0	\$ 0	\$ 327,499	\$ 327,499

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	EMERGENCY MEDICAL SERVICES FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 15,408	\$ 5,408
Charges for Services	2,495,000	2,495,000	2,753,365	258,365
Miscellaneous	3,000	3,000	4,356	1,356
Total Receipts	<u>2,508,000</u>	<u>2,508,000</u>	<u>2,773,129</u>	<u>265,129</u>
DISBURSEMENTS				
Protection to Persons and Property	2,833,300	2,907,100	2,760,813	146,287
Administration	1,223,700	1,186,900	1,031,382	155,518
Total Disbursements	<u>4,057,000</u>	<u>4,094,000</u>	<u>3,792,195</u>	<u>301,805</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,549,000)</u>	<u>(1,586,000)</u>	<u>(1,019,066)</u>	<u>566,934</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,360,000	1,360,000	1,300,000	(60,000)
Total Other Adjustments to Cash (Uses)	<u>1,360,000</u>	<u>1,360,000</u>	<u>1,300,000</u>	<u>(60,000)</u>
Net Change in Fund Balance	(189,000)	(226,000)	280,934	506,934
Fund Balance - Beginning	<u>189,000</u>	<u>226,000</u>	<u>226,295</u>	<u>295</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 507,229</u>	<u>\$ 507,229</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	SOLID WASTE FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 66,500	\$ 66,500	\$ 80,844	\$ 14,344
Charges for Services	2,631,500	2,631,500	2,606,204	(25,296)
Miscellaneous	5,000	5,000	17,500	12,500
Total Receipts	<u>2,703,000</u>	<u>2,703,000</u>	<u>2,704,548</u>	<u>1,548</u>
DISBURSEMENTS				
General Health and Sanitation	1,935,000	1,940,600	1,908,616	31,984
Administration	730,700	725,100	515,279	209,821
Total Disbursements	<u>2,665,700</u>	<u>2,665,700</u>	<u>2,423,895</u>	<u>241,805</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>37,300</u>	<u>37,300</u>	<u>280,653</u>	<u>243,353</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(252,300)	(252,300)	(252,300)	
Total Other Adjustments to Cash (Uses)	<u>(252,300)</u>	<u>(252,300)</u>	<u>(252,300)</u>	
Net Change in Fund Balance	(215,000)	(215,000)	28,353	243,353
Fund Balance - Beginning	<u>215,000</u>	<u>215,000</u>	<u>260,354</u>	<u>45,354</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 288,707</u>	<u>\$ 288,707</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,000	\$
Charges for Services	3,219,000	3,219,000	3,724,680	505,680
Miscellaneous	43,800	43,800	66,411	22,611
Interest	20,200	20,200	35,454	15,254
Total Receipts	<u>3,287,000</u>	<u>3,287,000</u>	<u>3,830,545</u>	<u>543,545</u>
DISBURSEMENTS				
General Health and Sanitation	2,231,000	2,700,000	2,652,105	47,895
Capital Projects	5,850,000	5,850,000	224,616	5,625,384
Administration	5,202,000	5,333,000	587,314	4,745,686
Total Disbursements	<u>13,283,000</u>	<u>13,883,000</u>	<u>3,464,035</u>	<u>10,418,965</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(9,996,000)</u>	<u>(10,596,000)</u>	<u>366,510</u>	<u>10,962,510</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds	3,500,000	3,500,000	-	(3,500,000)
Transfers From Other Funds	100,000	100,000	1,106,000	1,006,000
Transfers To Other Funds	(172,000)	(172,000)	(172,000)	
Total Other Adjustments to Cash (Uses)	<u>3,428,000</u>	<u>3,428,000</u>	<u>934,000</u>	<u>(2,494,000)</u>
Net Change in Fund Balance	(6,568,000)	(7,168,000)	1,300,510	8,468,510
Fund Balance - Beginning	<u>6,568,000</u>	<u>7,168,000</u>	<u>7,203,265</u>	<u>35,265</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,503,775</u>	<u>\$ 8,503,775</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	OCCUPATIONAL LICENSE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,450,000	\$ 1,450,000	\$ 1,656,859	\$ 206,859
Total Receipts	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,656,859</u>	<u>206,859</u>
DISBURSEMENTS				
General Government	168,900	176,500	165,904	10,596
Airports	9,600	19,600	19,600	
Administration	181,500	163,900	32,644	131,256
Total Disbursements	<u>360,000</u>	<u>360,000</u>	<u>218,148</u>	<u>141,852</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,090,000</u>	<u>1,090,000</u>	<u>1,438,711</u>	<u>348,711</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,300,000)	(1,300,000)	(1,300,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>(1,300,000)</u>	
Net Change in Fund Balance	(210,000)	(210,000)	138,711	348,711
Fund Balance - Beginning	<u>210,000</u>	<u>210,000</u>	<u>333,144</u>	<u>123,144</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 471,855</u>	<u>\$ 471,855</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

COUNTY CLERK PERMANENT STORAGE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 62,000	\$ 76,340	\$ 14,340
Interest			10	10
Total Receipts		62,000	76,350	14,340
DISBURSEMENTS				
General Government		62,000	51,371	10,629
Total Disbursements		62,000	51,371	10,629
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			24,979	24,969
Net Change in Fund Balance			24,979	24,979
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 24,979	\$ 24,979

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	AMERICAN RESCUE ACT PLAN			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$	\$ 50,000	\$ 50,000
Total Receipts			50,000	50,000
DISBURSEMENTS				
Capital Projects		7,851,000	8,357,300	918,639
Administration		674,000	167,700	167,700
Total Disbursements		8,525,000	8,525,000	918,639
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(8,525,000)	(8,525,000)	(868,639)
Net Change in Fund Balance		(8,525,000)	(8,525,000)	(868,639)
Fund Balance - Beginning		8,525,000	8,525,000	8,525,344
Fund Balance - Ending	\$	0	\$ 7,656,705	\$ 7,656,705

NELSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

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 EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2023

NELSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistant Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Division of Emergency Management</i>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036		\$	\$ 232,756
Emergency Management Performance (2022)	97.042	15-7363644		45,525
Emergency Management Performance (2023)	97.042	15-7363644		15,175
Total U.S. Department of Homeland Security			<u>\$</u>	<u>\$ 293,456</u>
<u>U.S. Office of National Drug and Control Policy</u>				
<i>Passed-Through Laurel County Fiscal Court</i>				
High Intensity Drug Trafficking Areas Program	95.001	G22 P0001A	\$	\$ 16,065
High Intensity Drug Trafficking Areas Program	95.001	G23 P0001A		19,612
Total U.S. Office of National Drug and Control Policy			<u>\$</u>	<u>\$ 35,677</u>
U. S. Department of the Treasury				
<i>Direct Program</i>				
Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 918,639
Total U.S. Department of the Treasury			<u>\$</u>	<u>\$ 918,639</u>
Total Expenditures of Federal Awards			<u>\$</u>	<u>\$ 1,247,772</u>

The accompanying notes are an integral part of this schedule

NELSON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2023

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, 2023. 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 and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

For The Year Ended June 30, 2023

NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

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	14,872,849	312,264		15,185,113
Buildings	31,469,955	187,316		31,657,271
Vehicles	8,720,741	794,924	73,858	9,441,807
Computers	224,025	2,570	17,824	208,771
Equipment	6,068,250	643,717	1,028,375	5,683,592
Infrastructure	106,547,323	144,352		106,691,675
 Total Capital Assets	 <u>\$170,892,089</u>	 <u>\$ 2,085,143</u>	 <u>\$ 1,120,057</u>	 <u>\$171,857,175</u>

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

June 30, 2023

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land 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 Tim Hutchins, 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, 2023, 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 February 7, 2024.

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 Questioned Costs as item 2023-001 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

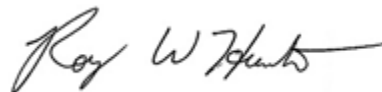
As part of obtaining reasonable assurance about whether the Nelson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001.

Government Auditing Standards requires the auditor to perform limited procedures on the Nelson County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questionable Costs. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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

February 7, 2024

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

The Honorable Tim Hutchins, 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 The Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Nelson County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Nelson County Fiscal Court's major federal programs for the year ended June 30, 2023. 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.

In our opinion, Nelson County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

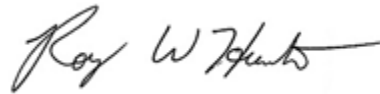
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

Respectfully submitted,



Roy W. Hunter, CPA, PLLC
Lexington, Kentucky

February 7, 2024

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

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

Federal Awards

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/>
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor’s report issued on compliance for major federal programs: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/>

Identification of major programs:

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

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

NELSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings

2023-001 The Nelson County Jail Had Weakness in Internal Controls That Lead to Noncompliances With Laws and Regulations

While performing the testing related to the jail commissary funds various noncompliance with law and regulations were noted that were the resulted of weaknesses in internal controls. The following noncompliance violations were noted:

- The Nelson County Jail did not deposit daily receipts timely - While performing the receipts test, it was noted that receipts, including cash removed from KIOSK, were not always deposited daily as required. Testing indicated that the cash was held for up to three days but could be as much as eight days before being deposited. These receipts were not batched daily.
- The Nelson County Jail did sales tax returns for March – June 2023 were not prepared and paid until August 2023.
- The Nelson County Jail did not present a financial statement to the county treasurer as of June 30, 2023.
- The Nelson County Jail did not turn over fees collected and phone commissions received to the fiscal court on a timely basis - Phone commissions for July 1, 2022 – January 31, 2023 was not paid over to the fiscal court until February 13, 2023. Then fees and phone commissions for February 1, 2023 – June 30, 2023 were not paid until August 2023; therefore, \$17,748 of phone commissions were due at the end of June 30, 2023. Inmate fees collected for the month of June 2023 in the amount of \$11,713 were not paid until September 2023.
- The Nelson County Jail did not separate inmate and commissary accounts on their financial statement - The Nelson County Jail combined the financial activity of the inmate account and the commissary account into one cumulative financial statement for the year. Both of these accounts are maintained in a single bank account but are required to be reported separately.
- The Nelson County Jail did not pay jail commissary related disbursements totaling \$33,354 that were billed by the fiscal court for May and June 2023 until December 29, 2023.

The Nelson County Jail:

- failed to implement effective controls over the accounting of the jail commissary to ensure all monies are deposited timely.
- was unaware of the sales tax returns due date requirement.
- was unaware of the required to turn over the yearly financial statement to the county treasurer.
- was unaware of the recommendation to turn fees over monthly.
- was unaware of the change in reporting requirements created by Government Accounting Standards Board (GASB) 84.
- failed to implement effective controls over expenditures to ensure all outstanding claims are paid within 30 days of receipt of the invoice.

NELSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)

Section II: Financial Statement Findings (Continued)

2023-001 The Nelson County Jail Had Weakness in Internal Controls That Lead to Noncompliances With Laws and Regulations (Continued)

The effects of the noncompliances are as follows:

- By not always deposited receipts on a daily basis, there is a risk that monies could be misstated, and, the jail commissary was not in compliance with KRS 441.135.
- Sales tax returns not filled timely are charged late fees (Late fees totaled \$495.) and do not receive the vendor's compensation discount (1.75% of the first \$1,000 of total sales taxes due), and the jail commissary was not in compliance with KRS 139.540.
- The county treasurer is not aware of the financial position of the jail commissary fund, and the jail commissary was not in compliance with KRS 441.135(2).
- By not properly accounting for fees collected and phone commissions, the balance in the jail commissary is overstated for the amounts due payable to the fiscal court. In addition, the jail fund is understated by the amounts not received on a timely basis from the jailer to the county treasurer, and the jail commissary was not in compliance with KRS 441.265 (4).
- By not separating the two funds, the inmate fund, which is a custodial fund, is being reported with the jail-operated and owned commissary funds. These funds could be misappropriated and misclassified if they are reported combined, and the jail commissary was not in compliance with Government Accounting Standards Board (GASB) 84.
- By not properly accounting for expenditures paid by the jail fund, the balance in the jail commissary is overstated for the amounts due payable to the fiscal court. In addition, the Jail Fund is understated by the amounts not received on a timely basis from the jailer to the county treasurer, and the jail commissary was not in compliance with KRS 65.140(2).

The criteria used to be the noncompliances were as follows:

- Kentucky Revised Statute (KRS) 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the State Local Finance Officer has prescribed minimum accounting and reporting standards in the Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual which are to be used by jailers for jail commissary funds maintained pursuant to KRS 441.135. This manual includes the following accounting and reporting guidance:

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

- Per Kentucky Revised Statue 139.540, Kentucky sales tax returns and payments are due on the 20th day of the month following the close of the period for which the tax is owed. If this falls on a weekend or a holiday, returns will be considered timely if completed online or postmarked by the next business day
- KRS 441.135(2) says the Jailer “shall annually report to the county treasurer on the commissary account.”

**NELSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)**

Section II: Financial Statement Findings (Continued)

2023-001 The Nelson County Jail Had Weakness in Internal Controls That Lead to Noncompliances With Laws and Regulations (Continued)

- According to KRS 441.265(4) Required reimbursement by prisoner of costs of confinement -- Local policy of fee and expense rates -- Billing and collection methods. "Any fees or reimbursement received under this section shall be forwarded to the county treasurer for placement in the jail's budget.
- GASB 84 now requires that all custodial fund types be reported separately due to their nature and requirements. This type of funds should never be reported with profit funds of the commissary account.
- KRS 65.140(2) states, "[u]less the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor's invoice expect when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

We recommend that the Nelson County Jail:

- deposits monies within three days of receipt.
- complete monthly sales tax returns timely each month.
- present the yearly financial statement to the county treasurer once prepared
- pay the fees collected for bonds, housing, prisoner booking, work release and medical reimbursements and phone commissions to the fiscal court on a monthly basis.
- maintain a financial statement for the jail inmate account that is separate from the jail commissary account and maintain appropriate ledgers that account for this activity

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: See Jailer's response. The Nelson County Fiscal Court and Judge Executive will continue to monitor the weaknesses identified by the auditor and follow up with the Jailer and his staff.

County Jailer's Response: When I took over as Jailer on January 2, 2023, one of my main concerns was not only the accuracy but also the integrity of the commissary account of the Nelson County Correctional Facility. Upon taking office, I observed that forms, deposit logs, and documentation were not being completed as required by the employee originally in charge of the commissary sales and day-to-day operations. I took immediate action and replaced her in her position. Additionally, I appointed two other employees to assist not only in separation of duties but also in cleaning up and correcting the numerous deficiencies I identified during my own investigation. I reached out to (Redact) to perform an audit of our facility's books since they handle the accounting software (This audit is still ongoing and not yet completed).

The Nelson County Correctional Facility now deposits money daily, excluding weekends and any facility emergencies that would hinder the deposit of funds. Two employees verify the funds though a count before depositing.

Sales tax has not been paid in full. During our internal review, it was found that this was not being paid for and has since been corrected.

**NELSON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023
(Continued)**

Section II: Financial Statement Findings (Continued)

2023-001 The Nelson County Jail Had Weakness in Internal Controls That Lead to Noncompliances With Laws and Regulations (Continued)

Views of Responsible Official and Planned Corrective Action:

County Jailer's Response: (Continued)

I have presented bank statements to the Nelson County Judge Executive and Magistrates. However, in the future, I will be sure to include our treasurer in all future correspondence as well as providing end of fiscal year financial statements.

Prior to taking office, the facility did not collect fees other than pheon commissions. With fiscal court approval, I implemented a fee schedule. During the implementation process, programming into our accounting software, and staffing changes, there were some delay in getting fees turned over to the fiscal court. This has since been addressed and corrected.

We plan to split the inmate and commissary accounts, but we cannot do so until (Redact) completed their audit of the accounting software. Despite numerous inquiries, I do not have estimated time of arrival (ETA) as of this report.

As addressed in the issues above due to the changes and the implementation of fees, and getting the books corrected, the distribution of funds to fiscal court was delayed but has been corrected.

Section III: Federal Award Findings And Questioned Costs

None noted.

Section IV: Summary Schedule of Prior Audit Findings

Nelson County – Kentucky
Tim Hutchins – County Judge Executive
 PO Box 578 – One Court Square, 2nd Floor
 Bardstown, KY 40004
 502-348-1800
ncjudge@bardstown.com



Magistrate District #1: Keith Metcalfe
 Magistrate District # 2: Adam Wheatley
 Magistrate District #3: MT Harned
 Magistrate District #4: Jeff Lear
 Magistrate District #5: Jon Snow

Finding Number	Prior Year Finding Title	Status	Corrective Action
2022-001	The Nelson County Jail Did Not Have Segregation of Duties Over The Jail Commissary Fund	Partially Resolved	Partially corrected. Not repeated as an audit report finding.

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

NELSON COUNTY FISCAL COURT

For The Year Ended June 30, 2023

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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.



Tim Hutchins
County Judge/Executive



Rhonda Fenwick
County Treasurer