

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

**For The Year Ended
June 30, 2024**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of 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, 2024, 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 accompanying 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, 2024, 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, 2024, 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 the 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
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
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 Members of the Nelson County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the Nelson County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material 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.

In preparing the financial statements, management is required to evaluate whether 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- 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 judgment, 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.

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

Other Matters

Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2025, 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 findings:

- 2024-001 The Nelson County Fiscal Court Had Inadequate Controls Over Disbursements
- 2024-002 The Nelson County Jail Had Weaknesses In Internal Controls That Led To Noncompliance With Laws And Regulations

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 10, 2025

NELSON COUNTY OFFICIALS
For The Year Ended June 30, 2024

Fiscal Court Members:

Tim Hutchins	County Judge/Executive
Keith Metcalfe	Magistrate
Adam Wheatley	Magistrate
M.T. Harned	Magistrate
Jeff Lear	Magistrate
Jon Snow	Magistrate

Other Elected Officials:

Arch "Chip" McKay	County Attorney
Justin Hall	Jailer
Jeanette Sidebottom	County Clerk
Diane Thompson	Circuit Court Clerk
Ramon Pineiroa	Sheriff
Jay Williams	Property Valuation Administrator
Danielle Chladek	Coroner

Appointed Personnel:

Rhonda Fenwick	County Treasurer
Brad Metcalf	Deputy Judge/EMA Director (Jan. - June 2024)
Joe Prewitt	EMA Director (July-December 2023)
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
Michael Reynolds	EMS Director
Melissa Lanham	EMS Fiscal Officer

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

For The Year Ended June 30, 2024

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

For The Year Ended June 30, 2024

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 9,075,903	\$	\$	\$
Excess Fees	916,632			
Licenses and Permits	901,152			
Intergovernmental	993,631	2,822,960	777,482	333,315
Charges for Services	88,947		227,298	
Miscellaneous	631,245	6,589	111,041	
Interest	2,667			
Total Receipts	<u>12,610,177</u>	<u>2,829,549</u>	<u>1,115,821</u>	<u>333,315</u>
DISBURSEMENTS				
General Government	2,311,076			
Protection to Persons and Property	2,346,188		2,467,608	
General Health and Sanitation	1,430,133			
Social Services	47,948			
Recreation and Culture	883,268			
Roads	72,429	3,221,223		83,054
Airports				
Bus Services	224,292			
Capital Projects	66,150			
Administration	2,803,837	563,175	565,177	
Total Disbursements	<u>10,185,321</u>	<u>3,784,398</u>	<u>3,032,785</u>	<u>83,054</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>2,424,856</u>	<u>(954,849)</u>	<u>(1,916,964)</u>	<u>250,261</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	383,000	1,234,000	1,916,964	
Transfers To Other Funds	<u>(3,096,500)</u>			<u>(250,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(2,713,500)</u>	<u>1,234,000</u>	<u>1,916,964</u>	<u>(250,000)</u>
Net Change in Fund Balance	(288,644)	279,151		261
Fund Balance - Beginning Restated	<u>2,016,485</u>	<u>193,909</u>		<u>238,514</u>
Fund Balance - Ending	<u>\$ 1,727,841</u>	<u>\$ 473,060</u>	<u>\$ 0</u>	<u>\$ 238,775</u>
Composition of Fund Balance				
Bank Balance	\$ 1,692,200	\$ 473,060	\$	\$ 238,775
Plus: Deposits In Transit	192,795			
Less: Outstanding Checks	(157,154)			
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 1,727,841</u>	<u>\$ 473,060</u>	<u>\$ 0</u>	<u>\$ 238,775</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, 2024
(Continued)

Budgeted Funds						
Federal Grants Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	County Clerk Permanent Storage Fund	Opioid Settlement Fund
\$	\$	\$	\$	\$ 1,687,661	\$	\$
202,497	10,000	71,682	4,000			
	3,280,307	2,979,519	4,290,226			
	12,804	5,000	97,454		83,020	231,791
			51,634		28	
<u>202,497</u>	<u>3,303,111</u>	<u>3,056,201</u>	<u>4,443,314</u>	<u>1,687,661</u>	<u>83,048</u>	<u>231,791</u>
				192,032	8,139	
	3,663,805					106,988
		2,161,439	2,831,142	26,222		
				12,000		
			4,415,051			
	1,099,565	516,856	594,832	35,933		84,743
	<u>4,763,370</u>	<u>2,678,295</u>	<u>7,841,025</u>	<u>266,187</u>	<u>8,139</u>	<u>191,731</u>
<u>202,497</u>	<u>(1,460,259)</u>	<u>377,906</u>	<u>(3,397,711)</u>	<u>1,421,474</u>	<u>74,909</u>	<u>40,060</u>
	1,380,000		100,000			189,136
<u>(150,000)</u>		<u>(265,000)</u>	<u>(232,000)</u>	<u>(1,350,000)</u>		
<u>(150,000)</u>	<u>1,380,000</u>	<u>(265,000)</u>	<u>(132,000)</u>	<u>(1,350,000)</u>		<u>189,136</u>
52,497	(80,259)	112,906	(3,529,711)	71,474	74,909	229,196
327,499	507,229	288,707	8,501,883	471,855	24,979	
<u>\$ 379,996</u>	<u>\$ 426,970</u>	<u>\$ 401,613</u>	<u>\$ 4,972,172</u>	<u>\$ 543,329</u>	<u>\$ 99,888</u>	<u>\$ 229,196</u>
\$ 379,996	\$ 426,970	\$ 401,613	\$ 937,252	\$ 543,329	\$ 99,888	\$ 229,196
			(3,126)			
			<u>4,038,046</u>			
<u>\$ 379,996</u>	<u>\$ 426,970</u>	<u>\$ 401,613</u>	<u>\$ 4,972,172</u>	<u>\$ 543,329</u>	<u>\$ 99,888</u>	<u>\$ 229,196</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, 2024
(Continued)

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>		<u>Internal Service Fund</u>
	<u>E911 Fund</u>	<u>American Rescue Plan Act Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>	<u>Health Self Insurance Fund</u>
RECEIPTS					
Taxes	\$ 782,174	\$	\$	\$ 11,545,738	\$
Excess Fees				916,632	
Licenses and Permits				901,152	
Intergovernmental	1,007,249	50,000		6,272,816	
Charges for Services				10,866,297	
Miscellaneous	388		348,975	1,528,307	2,269,419
Interest				54,329	
Total Receipts	<u>1,789,811</u>	<u>50,000</u>	<u>348,975</u>	<u>32,085,271</u>	<u>2,269,419</u>
DISBURSEMENTS					
General Government				2,511,247	
Protection to Persons and Property	893,599			9,478,188	
General Health and Sanitation				6,448,936	
Social Services				47,948	
Recreation and Culture			367,098	1,250,366	
Roads		600,302		3,977,008	
Airports				12,000	
Bus Services				224,292	
Capital Projects		3,732,498		8,213,699	
Administration	348,415			6,612,533	1,436,928
Total Disbursements	<u>1,242,014</u>	<u>4,332,800</u>	<u>367,098</u>	<u>38,776,217</u>	<u>1,436,928</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>547,797</u>	<u>(4,282,800)</u>	<u>(18,123)</u>	<u>(6,690,946)</u>	<u>832,491</u>
Other Adjustments to Cash (Uses)					
Transfers From Other Funds	194,400			5,397,500	
Transfers To Other Funds	(54,000)			(5,397,500)	
Total Other Adjustments to Cash (Uses)	<u>140,400</u>				
Net Change in Fund Balance	688,197	(4,282,800)	(18,123)	(6,690,946)	832,491
Fund Balance - Beginning Restated		7,656,705	190,018	20,417,783	
Fund Balance - Ending	<u>\$ 688,197</u>	<u>\$ 3,373,905</u>	<u>\$ 171,895</u>	<u>\$ 13,726,837</u>	<u>\$ 832,491</u>
Composition of Fund Balance					
Bank Balance	\$ 688,197	\$ 3,440,381	\$ 172,586	\$ 9,723,443	\$ 832,491
Plus: Deposits In Transit				192,795	
Less: Outstanding Checks		(66,476)	(691)	(227,447)	
Certificates of Deposit				4,038,046	
Fund Balance - Ending	<u>\$ 688,197</u>	<u>\$ 3,373,905</u>	<u>\$ 171,895</u>	<u>\$ 13,726,837</u>	<u>\$ 832,491</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, 2024

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 for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(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 Grants 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.

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 are storage fees paid by consumers.

Opioid Settlement Fund - The primary purpose of this fund is to account for the expenses related to opioid prevention activities. The primary source of receipts for this fund is monies from settlements made with opioid manufacturers.

E911 Fund - The primary purpose of this fund is to report revenue and expenditures for county-wide 911 emergency dispatch operations. The primary source of receipts for this fund is the E911 fee on residential property tax bills, and cell phone fees (CMRS) collected by the state.

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

Unbudgeted Fund

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, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Internal Service Fund

The fiscal court reports the following internal service fund:

Health Self-Insurance Fund - The primary purpose of this fund is to account for the administration of the county's health insurance receipts and disbursements. The Department for Local Government does not require the fiscal court to budget this fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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.

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, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Nelson County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Related Organizations 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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

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 a written agreement with one bank.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. On June 30, 2024, the fiscal court's bank balance with one bank was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$160,043

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2024.

	General Fund	LGEA Fund	Federal Grants Fund	Solid Waste Fund	Landfill Fund	Occupational License Fund	E911 Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 97,000	\$ 232,000	\$	\$ 54,000	\$ 383,000
Road Fund	216,000	250,000		168,000		600,000		1,234,000
Jail Fund	1,916,964							1,916,964
EMS Fund	480,000		150,000			750,000		1,380,000
Landfill Fund	100,000							100,000
Opioid Fund	189,136							189,136
E911 Fund	194,400							194,400
Total Transfers Out	\$ 3,096,500	\$ 250,000	\$ 150,000	\$ 265,000	\$ 232,000	\$ 1,350,000	\$ 54,000	\$ 5,397,500

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.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 4. Custodial Funds (Continued)

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, 2024 was \$5,240.

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, 2024, was \$102,400.

Note 5. Land Held For Resale

In July 2004, the Nelson County Fiscal Court purchased 424 acres to develop the 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, 2024, the county has spent a total of \$9,480,164 on this development. During fiscal year 2024, \$300,000 of proceeds were received for the land sales. The sales represented 16.587 acres.

Note 6. Leases

1. Lessor

A. Nelson County Economic Development Agency Office Space Lease

Nelson County began leasing office space to the Nelson County Economic Development Agency on October 1, 2014. The lease is for ten years, and Nelson County will receive annual 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, 2024, Nelson County's receivable for lease payments was \$12,731.

B. Town & Country Bank Retail Lease

Nelson County began leasing office space to Town & Country Bank on October 1, 2004. The lease is for ten years and is renewable. Nelson County will receive monthly payments of \$612 and recognized \$7,344 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Nelson County's receivable for lease payments was \$34,272.

C. Nelson County Extension Office Space Lease

Nelson County began leasing office space to the Nelson County Extension Office on October 1, 2014. The lease is for ten years, and Nelson County will receive annual 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, 2024, Nelson County's receivable for lease payments was \$9,783.

D. Keeling Farm

Nelson County began leasing land to Keeling Farms on January 1, 2021, for the right to plant and harvest row crops. The lease is for three years. Nelson County recognized \$31,920 in lease revenue during the current fiscal year related to this lease. As of June 30, 2024, Nelson County's receivable for lease payments was \$28,899.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 6. Leases (Continued)

1. Lessor (Continued)

E. Mattingly Farm

Nelson County began leasing land to Mattingly Farms on January 1, 2021, 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, 2024, Nelson County's receivable for lease payments was \$5,733.

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

Nelson County began leasing office space to the Fine Arts of Bardstown, Society, Inc. on August 1, 2022. 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, 2024, Nelson County's receivable for lease payments was \$500.

G. Lincoln Trail Area Development District Office Space

Nelson County began leasing office space to the Lincoln Trail Area Development District on November 1, 2022. The lease is for five 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, 2024, Nelson County's receivable for lease payments was \$20,500.

2. Lessee

A. Postage Meter

Nelson County entered into a three-year lease agreement as lessee for the use of a postage machine on September 1, 2021. The lease liability during the current fiscal year totaled \$372, which consists of quarterly payments of \$93 each. As of June 30, 2024, the value of the lease had been satisfied for the current fiscal year. The lease value of the outstanding payment is \$93.

B. City of Bloomfield

Nelson County entered into a five-year lease agreement with the City of Bloomfield for an EMS apartment on August 1, 2021. The lease agreement requires monthly payments of \$550 with the lease liability during the current fiscal year totaling \$6,600. As of June 30, 2024, the outstanding balance of the lease totaled \$13,750.

Note 7. Notes Receivables

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, 2024.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 7. Notes Receivables (Continued)

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

1. The county loaned \$2,500 each to five residents and \$1,800 to one resident of the Roberts Road area on May 1, 1997, for the purpose of providing waterlines to their homes. These notes bear interest at the rate of 7 percent per year. Terms of the agreements stipulate monthly payments of \$29, and \$21, respectively, until April 30, 2007. As of June 30, 2024, 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, 2024, 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, 2024, the principal balance due was \$798.

B. Nelson County Fair Board

On September 10, 2013, the fiscal court granted a \$62,445 loan to the Nelson County Fair Board. These funds were loaned to the Nelson County Fair Board to purchase bleachers for the fairgrounds. As of June 30, 2024, the loan balance due was \$46,745. During the fiscal year 2024, a \$5,000 payment was received.

Note 8. Closure and Post-Closure of Municipal Solid Waste Landfill

State and federal laws and regulations require the Nelson County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill 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, 2024, county engineers estimate that \$11,437,604 will be required for landfill closure cost and for post-closure care liability. Approximately 31.9% of the landfill airspace capacity has been used as of June 30, 2024. 401 KAR 48:310 Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of 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 \$6,021,941 and estimated post-closure care costs total \$178,855 per year for 30 years and then \$10,000 per year for five years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is approximately June 30, 2063. No cost related to closure or post-closure care has been incurred to date.

Note 9. Commitments and Contingencies

The county is involved in multiple lawsuits. 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.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 10. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS). 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. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. The CERS nine-member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2022 was \$2,416,939, FY 2023 was \$2,808,318, and FY 2024 was \$2,849,142.

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will go to the CERS 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% of their annual creditable compensation. Nonhazardous members also contribute 1% 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 CERS Board of Trustees 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% 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 23.34%.

Hazardous

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the CERS insurance fund.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 10. Employee Retirement System (Continued)

Hazardous (Continued)

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% of their annual creditable compensation and also contribute 1% 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 Trustees 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% employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for hazardous employees was 43.69%.

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 \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 10. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

Hazardous employees whose participation began on or after July 1, 2003, earn \$15 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 \$10 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 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

Tier 2 member benefits are covered by KRS 78.5536. 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 \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. Upon the death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

D. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 10. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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, CERS 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.

G. 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports are also available online at <https://kyret.ky.gov>.

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 KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

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

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 12. Health Self-Insurance Fund

The Nelson County Fiscal Court initiated a self-insured health insurance plan on August 1, 2023. The self-funded plan covers all full-time employees and provides for medical expenses, hospitalization and other health services. The county also purchased a stop-loss insurance policy to cover losses from individual and aggregate claims once the county has reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

Full-time eligible employees have the option to elect coverage from either a PPO or a High-Deductible Health Plan (HDHP). Employees enrolled in the HDHP also have the option to create a Health Savings Account (HSA), to which the Nelson County Fiscal Court contributed \$500 for single plan coverage and \$1000 for family coverage.

The fiscal court signed with a third-party administrator to oversee the program, contracting with UMR Inc. for medical claims and TrueRX and SharX for pharmacy claims. Nelson County funds the plan with employer and employee premiums, handles enrollment of eligible individuals and issues claim reimbursements. During the current fiscal year, deposits to fund totaled \$2,269,419 and payments totaled \$1,436,928. The balance in the self-insurance health plan fund as of June 30, 2024, is \$832,491.

Note 13. Health Reimbursement Account/Flexible Spending 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 balance in the health reimbursement account was \$48,892 on June 30, 2024. This balance includes \$37,348 from prior year carry over that cannot be withdrawn by the fiscal court but can be used to pay approved medical expenditures. The cash balance available on June 30, 2024 was \$11,544.

Note 14. Insurance Liability and Property

For the fiscal year ended June 30, 2024, the Nelson County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 15. Conduit Debt

From time to time, the county 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, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Nelson County Fiscal Court's name as issuer, 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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2024, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2024
(Continued)

Note 16. Tax Abatements

The property tax was abated under the authority of the fiscal court. The entities are eligible to receive this tax abatement under the terms of industrial revenue bonds. The taxes are abated by leasehold agreements. There is no provision for recapture of abated taxes. James B. Beam Distilling Company, Heaven Hill Distilleries, Lux Row Distillers, The Bardstown Bourbon Company, and Sazerac Distilleries made commitments to invest in manufacturing facilities in the county. For fiscal year ended June 30, 2024, property taxes totaling \$141,805 (James B Beam Distilling Company \$82,975; Heaven Hill Distilleries \$29,036; Lux Row Distillers \$8,890; The Bardstown Bourbon Company \$18,491; Sazerac Distilleries \$2,413) were abated. As part of the tax abatement agreement, the Nelson County Fiscal Court committed to issuing industrial revenue bonds, which allowed the properties to be property-tax exempt.

Note 17. Prior Period Adjustment

The prior year ending balance in the Landfill Fund was decreased by \$1,892 for investment receipts that were recorded in the current year.

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2024

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 9,087,000	\$ 9,087,000	\$ 9,075,903	\$ (11,097)
Excess Fees	483,000	915,000	916,632	1,632
Licenses and Permits	617,500	641,500	901,152	259,652
Intergovernmental	1,050,300	1,188,000	993,631	(194,369)
Charges for Services	120,000	120,000	88,947	(31,053)
Miscellaneous	241,600	648,400	631,245	(17,155)
Interest	2,600	2,600	2,667	67
Total Receipts	11,602,000	12,602,500	12,610,177	7,677
DISBURSEMENTS				
General Government	2,173,400	2,486,500	2,311,076	175,424
Protection to Persons and Property	2,305,100	2,612,600	2,346,188	266,412
General Health and Sanitation	1,421,800	1,444,600	1,430,133	14,467
Social Services	87,100	87,100	47,948	39,152
Recreation and Culture	903,800	1,000,300	883,268	117,032
Roads	86,000	86,000	72,429	13,571
Bus Services	239,000	239,000	224,292	14,708
Debt Service	40,000			
Capital Projects	66,200	66,200	66,150	50
Administration	3,627,200	3,659,300	2,803,837	855,463
Total Disbursements	10,949,600	11,681,600	10,185,321	1,496,279
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	652,400	920,900	2,424,856	1,503,956
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	483,000	483,000	383,000	(100,000)
Transfers To Other Funds	(3,045,400)	(3,313,900)	(3,096,500)	217,400
Total Other Adjustments to Cash (Uses)	(2,562,400)	(2,830,900)	(2,713,500)	117,400
Net Change in Fund Balance	(1,910,000)	(1,910,000)	(288,644)	1,621,356
Fund Balance - Beginning	1,910,000	1,910,000	2,016,485	106,485
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,727,841	\$ 1,727,841

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,185,000	\$ 3,220,000	\$ 2,822,960	\$ (397,040)
Miscellaneous	4,000	4,000	6,589	2,589
Total Receipts	3,189,000	3,224,000	2,829,549	(394,451)
DISBURSEMENTS				
Roads	4,407,100	3,905,400	3,221,223	684,177
Administration	826,900	845,600	563,175	282,425
Total Disbursements	5,234,000	4,751,000	3,784,398	966,602
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,045,000)	(1,527,000)	(954,849)	572,151
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,934,000	1,334,000	1,234,000	(100,000)
Total Other Adjustments to Cash (Uses)	1,934,000	1,334,000	1,234,000	(100,000)
Net Change in Fund Balance	(111,000)	(193,000)	279,151	472,151
Fund Balance - Beginning	111,000	193,000	193,909	909
Fund Balance - Ending	\$ 0	\$ 0	\$ 473,060	\$ 473,060

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 675,000	\$ 700,500	\$ 777,482	\$ 76,982
Charges for Services	54,000	173,600	227,298	53,698
Miscellaneous	50,000	97,000	111,041	14,041
Total Receipts	<u>779,000</u>	<u>971,100</u>	<u>1,115,821</u>	<u>144,721</u>
DISBURSEMENTS				
Protection to Persons and Property	2,123,400	2,470,050	2,467,608	2,442
Administration	640,600	565,350	565,177	173
Total Disbursements	<u>2,764,000</u>	<u>3,035,400</u>	<u>3,032,785</u>	<u>2,615</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,985,000)</u>	<u>(2,064,300)</u>	<u>(1,916,964)</u>	<u>147,336</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,985,000</u>	<u>2,064,300</u>	<u>1,916,964</u>	<u>(147,336)</u>
Total Other Adjustments to Cash (Uses)	<u>1,985,000</u>	<u>2,064,300</u>	<u>1,916,964</u>	<u>(147,336)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(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	\$ 333,315	\$ 93,315
Total Receipts	240,000	240,000	333,315	93,315
DISBURSEMENTS				
Roads	105,000	105,000	83,054	21,946
Administration	121,000	121,000		121,000
Total Disbursements	226,000	226,000	83,054	142,946
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	14,000	14,000	250,261	236,261
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	(236,000)	(236,000)	261	236,261
Fund Balance - Beginning	236,000	236,000	238,514	2,514
Fund Balance - Ending	\$ 0	\$ 0	\$ 238,775	\$ 238,775

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$ 100,000	\$ 202,400	\$ 202,497
Total Receipts	100,000	202,400	202,497
DISBURSEMENTS			
Administration	203,000	305,400	305,400
Total Disbursements	203,000	305,400	305,400
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(103,000)	(103,000)	202,497
Other Adjustments to Cash (Uses)			
Transfers To Other Funds	(150,000)	(150,000)	(150,000)
Total Other Adjustments to Cash (Uses)	(150,000)	(150,000)	(150,000)
Net Change in Fund Balance	(253,000)	(253,000)	52,497
Fund Balance - Beginning	253,000	253,000	327,499
Fund Balance - Ending	\$ 0	\$ 0	\$ 379,996

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(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	\$ 10,000	\$
Charges for Services	2,844,500	2,844,500	3,280,307	435,807
Miscellaneous	2,500	2,500	12,804	10,304
Total Receipts	2,857,000	2,857,000	3,303,111	446,111
DISBURSEMENTS				
Protection to Persons and Property	3,554,600	3,737,300	3,663,805	73,495
Administration	1,314,400	1,131,700	1,099,565	32,135
Total Disbursements	4,869,000	4,869,000	4,763,370	105,630
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,012,000)	(2,012,000)	(1,460,259)	551,741
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,450,000	1,450,000	1,380,000	(70,000)
Total Other Adjustments to Cash (Uses)	1,450,000	1,450,000	1,380,000	(70,000)
Net Change in Fund Balance	(562,000)	(562,000)	(80,259)	481,741
Fund Balance - Beginning	562,000	562,000	507,229	(54,771)
Fund Balance - Ending	\$ 0	\$ 0	\$ 426,970	\$ 426,970

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 70,000	\$ 70,000	\$ 71,682	\$ 1,682
Charges for Services	2,913,000	2,913,000	2,979,519	66,519
Miscellaneous	5,000	5,000	5,000	
Total Receipts	2,988,000	2,988,000	3,056,201	68,201
DISBURSEMENTS				
General Health and Sanitation	2,116,000	2,250,000	2,161,439	88,561
Administration	806,000	672,000	516,856	155,144
Total Disbursements	2,922,000	2,922,000	2,678,295	243,705
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	66,000	66,000	377,906	311,906
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(265,000)	(265,000)	(265,000)	
Total Other Adjustments to Cash (Uses)	(265,000)	(265,000)	(265,000)	
Net Change in Fund Balance	(199,000)	(199,000)	112,906	311,906
Fund Balance - Beginning	199,000	199,000	288,707	89,707
Fund Balance - Ending	\$ 0	\$ 0	\$ 401,613	\$ 401,613

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

LANDFILL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,000	\$
Charges for Services	3,764,000	3,764,000	4,290,226	526,226
Miscellaneous	51,800	63,500	97,454	33,954
Interest	20,200	20,200	51,634	31,434
Total Receipts	3,840,000	3,851,700	4,443,314	591,614
DISBURSEMENTS				
General Health and Sanitation	2,204,100	2,873,600	2,831,142	42,458
Capital Projects	5,850,000	5,850,000	4,415,051	1,434,949
Administration	6,006,900	5,349,100	594,832	4,754,268
Total Disbursements	14,061,000	14,072,700	7,841,025	6,231,675
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,221,000)	(10,221,000)	(3,397,711)	6,823,289
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	100,000	100,000	
Transfers To Other Funds	(232,000)	(232,000)	(232,000)	
Total Other Adjustments to Cash (Uses)	(132,000)	(132,000)	(132,000)	
Net Change in Fund Balance	(10,353,000)	(10,353,000)	(3,529,711)	6,823,289
Fund Balance - Beginning	10,353,000	10,353,000	8,501,883	(1,851,117)
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,972,172	\$ 4,972,172

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

OCCUPATIONAL LICENSE FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,530,000	\$ 1,530,000	\$ 1,687,661	\$ 157,661
Total Receipts	1,530,000	1,530,000	1,687,661	157,661
DISBURSEMENTS				
General Government	174,400	195,200	192,032	3,168
General Health and Sanitation		30,000	26,222	3,778
Airports	22,000	22,000	12,000	10,000
Administration	325,600	274,800	35,933	238,867
Total Disbursements	522,000	522,000	266,187	255,813
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,008,000	1,008,000	1,421,474	413,474
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,350,000)	(1,350,000)	(1,350,000)	
Total Other Adjustments to Cash (Uses)	(1,350,000)	(1,350,000)	(1,350,000)	
Net Change in Fund Balance	(342,000)	(342,000)	71,474	413,474
Fund Balance - Beginning	342,000	342,000	471,855	129,855
Fund Balance - Ending	\$ 0	\$ 0	\$ 543,329	\$ 543,329

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

COUNTY CLERK PERMANENT STORAGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 75,000	\$ 75,000	\$ 83,020	\$ 8,020
Interest			28	28
Total Receipts	75,000	75,000	83,048	8,048
DISBURSEMENTS				
General Government	30,000	30,000	8,139	21,861
Administration	83,000	83,000		83,000
Total Disbursements	113,000	113,000	8,139	104,861
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(38,000)	(38,000)	74,909	112,909
Net Change in Fund Balance	(38,000)	(38,000)	74,909	112,909
Fund Balance - Beginning	38,000	38,000	24,979	(13,021)
Fund Balance - Ending	\$ 0	\$ 0	\$ 99,888	\$ 99,888

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 38,000	\$ 38,000	\$ 231,791	\$ 193,791
Total Receipts	38,000	38,000	231,791	193,791
DISBURSEMENTS				
Protection to Persons and Property	64,600	107,100	106,988	112
Administration	162,400	309,100	84,743	224,357
Total Disbursements	227,000	416,200	191,731	224,469
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(189,000)	(378,200)	40,060	418,260
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		189,200	189,136	(64)
Total Other Adjustments to Cash (Uses)		189,200	189,136	(64)
Net Change in Fund Balance	(189,000)	(189,000)	229,196	418,196
Fund Balance - Beginning	189,000	189,000		(189,000)
Fund Balance - Ending	\$ 0	\$ 0	\$ 229,196	\$ 229,196

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

	E911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 759,000	\$ 759,000	\$ 782,174	\$ 23,174
Intergovernmental	440,000	440,000	1,007,249	567,249
Miscellaneous	1,000	1,000	388	(612)
Total Receipts	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,789,811</u>	<u>589,811</u>
DISBURSEMENTS				
Protection to Persons and Property	1,033,600	1,077,400	893,599	183,801
Administration	<u>886,800</u>	<u>765,100</u>	<u>348,415</u>	<u>416,685</u>
Total Disbursements	<u>1,920,400</u>	<u>1,842,500</u>	<u>1,242,014</u>	<u>600,486</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(720,400)</u>	<u>(642,500)</u>	<u>547,797</u>	<u>1,190,297</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	194,400	194,400	194,400	
Transfers To Other Funds	<u>(54,000)</u>	<u>(131,900)</u>	<u>(54,000)</u>	<u>77,900</u>
Total Other Adjustments to Cash (Uses)	<u>140,400</u>	<u>62,500</u>	<u>140,400</u>	<u>77,900</u>
Net Change in Fund Balance	(580,000)	(580,000)	688,197	1,268,197
Fund Balance - Beginning	<u>580,000</u>	<u>580,000</u>		<u>(580,000)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 688,197</u>	<u>\$ 688,197</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2024
(Continued)

AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Variance with
	Original	Final	Actual Amounts, (Budgetary Basis) Final Budget Positive (Negative)
RECEIPTS			
Intergovernmental	\$	\$	\$ 50,000
Total Receipts			50,000
DISBURSEMENTS			
Roads		609,000	600,302
Capital Projects	6,747,000	6,822,000	3,732,498
Administration	350,000	343,900	343,900
Total Disbursements	7,097,000	7,774,900	4,332,800
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(7,097,000)	(7,774,900)	(4,282,800)
			3,492,100
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		77,900	(77,900)
Transfers To Other Funds	(800,000)	(200,000)	200,000
Total Other Adjustments to Cash (Uses)	(800,000)	(122,100)	122,100
Net Change in Fund Balance	(7,897,000)	(7,897,000)	(4,282,800)
Fund Balance - Beginning	7,897,000	7,897,000	7,656,705
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,373,905

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

June 30, 2024

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

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

NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2024

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	15,185,113	4,487,741		19,672,854
Buildings	31,657,271	306,135		31,963,406
Vehicles	9,441,807	1,358,930		10,800,737
Computers	208,771			208,771
Equipment	5,683,592	898,869		6,582,461
Infrastructure	106,691,675	667,962		107,359,637
 Total Capital Assets	 <u>\$171,857,175</u>	 <u>\$ 7,719,637</u>	 <u>\$ 0</u>	 <u>\$179,576,812</u>

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

June 30, 2024

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***

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Tim Hutchins, Nelson County Judge/Executive
Members of the Nelson County Fiscal Court

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, 2024, 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 April 10, 2025.

Report on 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) as a basis for designing 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that 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 and another deficiency that we consider to be a significant deficiency.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-002 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)

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2024-001 to be a significant deficiency.

Report on 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2024-002.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Nelson County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

April 10, 2025

**NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2024

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NELSON COUNTY SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2024

FINANCIAL STATEMENT FINDINGS:

2024-001 The Nelson County Fiscal Court Had Inadequate Controls Over Disbursements

During fiscal year 2024, the Nelson County Fiscal Court had internal control deficiencies and noncompliances regarding disbursements. The following issues were noted with Nelson County Fiscal Court's disbursements:

- Purchase orders are not issued as required by the Department for Local Government's (DLG) guidelines and/or were issued after the expense had already been incurred.
- Seven invoices tested were not paid within 30 working days of receipt.
- The county did not adhere to bidding requirements for purchases of ambulances and equipment, which cost over \$40,000.
- Two vehicles over \$40,000 were purchased from a vendor that was thought to have a state contract. No master agreement was located for the vendor.
- All required documentation for bids was not maintained.
- Invoices for one bid exceeded the approved bid amount.

The fiscal court failed to establish appropriate internal controls over disbursements. Due to the lack of management oversight and review, the required disbursement procedures were not followed. These control deficiencies could result in inaccurate reporting and misappropriation of assets. Furthermore, the Nelson County Fiscal Court was not in compliance with the state or county competitive bidding requirements, which increases the risk that the county did not get the best price for the goods and services purchased.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires a purchase order system for all counties. Each county is responsible for ensuring its purchase order system is executed and working properly.

According to a memorandum from DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." The manual states that a daily chronological listing of all purchase orders be kept that indicates the purchase order number, issue approved by appropriation account code, vendor name, date invoice received, amount of the invoice, date claim reviewed by the fiscal court, date paid, and amount paid. Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

In addition, the Nelson County Fiscal Court's administrative code states that sealed bidding procedures shall be followed under the circumstances, conditions, and in the manner set forth in KRS 424.260.

KRS 424.260 states, "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids.

NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-001 The Nelson County Fiscal Court Had Inadequate Controls Over Disbursements (Continued)

KRS 65.140(2), states, in part, “all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor’s invoice[.]”

KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” An effective purchase order system is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Moreover, implementation of strong internal controls over disbursements is necessary to prevent misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court.

We recommend the Nelson County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made. We also recommend the fiscal court comply with bidding requirements outlined by KRS 424.260. Additionally, we recommend that disbursements be stamped with date received and paid within 30 working days of receipt in accordance with KRS 65.140(2).

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response:

Inadequate controls over disbursements

- a. Staff continue to work to enhance procedures and internal controls related to purchase orders. Additional personnel have been hired to improve segregation of duties within disbursement functions. A standardized and structured purchase order system has also been implemented across all departments to ensure consistency and compliance.*
- b. Invoices are paid by the 7th day of the month following purchase, or within terms that vendors have allowed, such as paying in accordance with a monthly statement. The finance office will date-stamp each invoice as it received.*
- c. The County agrees that certain bid files may not have been properly organized. The Treasurer and County Judge have modified this process to fully follow KRS 424.260.*

2024-002 The Nelson County Jail Had Weaknesses in Internal Controls That Led To Noncompliance With Laws And Regulations

This is a repeat finding and was included in the prior year audit report as finding 2023-001. During testing of the Jail Commissary Fund, several instances of noncompliance with laws and regulations were identified, stemming from weaknesses in internal controls. These violations include:

- **Failure to deposit receipts timely:** The Nelson County Jail did not consistently deposit receipts, including cash from the KIOSK, on a daily basis as required. Testing revealed that receipts were sometimes held for up to three days before being deposited and were not batched daily as mandated.
- **Late turnover of fees and phone commissions to the fiscal court:** Phone commissions for July 2023 through November 2023 were not remitted until January 2024, making them 2 to 6 months late, and inmate fees for July and August 2023 were not turned over until October 2023, making them 2 months late.

NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS:

2024-002 The Nelson County Jail Had Weaknesses in Internal Controls That Led To Noncompliance With Laws And Regulations (Continued)

- **Failure to separate inmate and commissary accounts:** The jail combined financial activity from both the inmate and commissary accounts into a single cumulative financial statement despite requirements for separate reporting. Both accounts should be reported separately even though they are maintained in a single bank account.
- **Delayed payment of commissary-related disbursements:** Disbursements totaling \$34,482, billed by the fiscal court for July through November 2023, were not paid until January 2024, which means they were up to 6 months late.
- **Debit card used to make commissary purchases:** Test of jail commissary disbursements disclosed the use of a debit card to make purchases, which is prohibited. There was no documentation of approval for these purchases, and one transaction tested did not have an invoice.
- **Receipts issued were not accounted for in numerical sequence:** Receipts were not issued for all funds received or accounted for in numerical sequence. Voided receipts were not kept with daily checkout sheets. KIOSK cash receipts had no documentation of review by others, such as initialing receipts for KIOSK withdrawals.

These findings highlight significant internal control deficiencies that led to noncompliance with legal and regulatory requirements. The Nelson County Jail did not establish effective internal controls over commissary accounting, fee remittance, and expenditures, leading to a repeat finding. The jail failed to implement procedures to ensure timely monthly fee transfers, daily deposits, and payment of invoices within 30 days. A lack of oversight resulted in the jail not properly accounting for commissary and inmate funds separately as required.

Failure to deposit receipts daily increases the risk of misstated funds and noncompliance with KRS 441.135. Improper accounting for fees and phone commissions overstates the commissary balance, understates the jail fund, and violates KRS 441.265(4). Combining inmate and commissary funds risks misclassification and misappropriation. Additionally, failure to account for jail fund expenditures properly results in misstated balances and noncompliance with KRS 65.140(2).

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*. Jailers must apply these standards to 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."

KRS 441.265(4) states, "[a]ny fees or reimbursement received under this section shall be forwarded to the county treasurer for placement in the jail's budget."

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 except 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."

NELSON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2024
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2024-002 The Nelson County Jail Had Weaknesses in Internal Controls That Led To Noncompliance With Laws And Regulations (Continued)

We recommend the Nelson County Jail strengthen controls by:

- Depositing all funds within three days of receipt to ensure timely and accurate financial reporting.
- Remitting fees collected for bonds, housing, booking, work release, medical reimbursements, and phone commissions to the fiscal court monthly in compliance with regulations.
- Maintaining separate financial statements for the inmate account and jail commissary account, along with appropriate ledgers to ensure proper tracking and reporting.
- Processing reimbursements to the fiscal court on a monthly basis to maintain accurate fund balances and compliance.
- Discontinue use of debit card for purchases, maintain invoices for all purchases, and document approval of purchases by initialing the invoice.
- Receipts should be issued for all funds received and in numerical sequence. Voided receipts should be kept with daily checkout sheets.
- Two employees should be assigned to remove cash from the KIOSK, and the daily receipt should be initialed by others to verify that the amount removed agrees to the deposit.

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: Since taking office as Jailer in January 2023, I have made it a priority to implement changes to our booking, financial, and accounting procedures, many of which were designed to correct issues highlighted in prior audits. Below, I have provided our responses to each specific audit comment:

1. ***Failure to Deposit Receipts Daily***
We now have four employees involved in financial processes, allowing for greater separation of duties. While we aim to make deposits daily, there are occasional delays due to staff being pulled for transport, hospital watches, facility emergencies, or scheduled time off. That said, we strive to deposit funds as promptly as staffing allows.
2. ***Late Turnover of Fees and Phone Commissions to Fiscal Court***
This issue has been resolved. The delay stemmed from our accounting software, which did not provide the appropriate reporting needed. We have corrected this and now submit all fees and commissions on a monthly basis.
3. ***Failure to Separate Inmate and Commissary Accounts***
This issue has also been addressed. We worked with [vendor name redacted] to conduct a full reconciliation of our books before transitioning to separate accounts. The account separation was finalized in March 2025.
4. ***Delayed Payment of Commissary-Related Disbursements***
Similar to item 2, this issue was caused by a delay in receiving the proper reports from our accounting software. This has since been resolved, and payments are now processed on a regular monthly schedule.
5. ***Use of Debit Card for Commissary Purchases***
At the time of issuance, neither we nor the bank were aware that debit card usage for commissary purchases was not compliant. We have since discontinued use of this card. The transaction in question was for GED testing for inmates, and unfortunately, no receipt was issued by the vendor at the time of registration.
6. ***Receipts Not Accounted for in Numerical Sequence***
We have corrected this by using a single, sequential receipt book for all transactions, replacing the multiple books that were previously in use.

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

NELSON COUNTY FISCAL COURT


For The Year Ended June 30, 2024

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
NELSON COUNTY FISCAL COURT

For The Year Ended June 30, 2024

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