

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

**For The Fiscal Year Ended  
June 30, 2016**



**MIKE HARMON  
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## EXECUTIVE SUMMARY

### AUDIT OF THE NELSON COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Nelson County Fiscal Court for the fiscal year ended June 30, 2016.

We have issued an unmodified opinion, based on our audit, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Nelson County Fiscal Court.

#### **Financial Condition:**

The Nelson County Fiscal Court had total receipts of \$21,243,105 and disbursements of \$19,934,913 in fiscal year 2016. This resulted in a total ending fund balance of \$8,347,648, which is an increase of \$1,308,192 from the prior year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
NELSON COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT .....	10
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES .....	33
SCHEDULE OF CAPITAL ASSETS.....	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS .....	38
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	41
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Dean Watts, Nelson County Judge/Executive  
Members of the Nelson County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Nelson County Fiscal Court, for the year ended June 30, 2016, and the related notes to the financial statement which collectively comprise the Nelson County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

As described in Note 1 of the financial statement, the financial statement is prepared by the Nelson County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Nelson County Fiscal Court as of June 30, 2016, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Nelson County Fiscal Court as of June 30, 2016, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

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

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2017, on our consideration of the Nelson County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nelson County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

June 19, 2017

NELSON COUNTY OFFICIALS

For The Year Ended June 30, 2016

**Fiscal Court Members:**

Dean Watts	County Judge/Executive
Keith Metcalfe	Magistrate
Sam Hutchins	Magistrate
Bernard Ice	Magistrate
Jeff Lear	Magistrate
Jerry Hahn	Magistrate

**Other Elected Officials:**

Matthew Hite	County Attorney
Dorcas Figg	Jailer
Elaine Filiatreau	County Clerk
Diane Thompson	Circuit Court Clerk
Ed Mattingly	Sheriff
Barbara Tichenor	Property Valuation Administrator
Rayfield Houghlin	Coroner

**Appointed Personnel:**

Rhonda Fenwick	County Treasurer
Jim Lemieux	County Engineer
Brad Spalding	Landfill Manager
Joe Prewitt	Director of Ambulance Services
Logan Spaulding	Building Inspection Supervisor
Joe Osborne/Joe Prewitt	Emergency Management Administrator
Teresa Smith	Occupational Tax Administrator
Greta Cecil	Administrative Secretary

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

**For The Year Ended June 30, 2016**

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

**For The Year Ended June 30, 2016**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 5,364,222	\$	\$
Excess Fees	678,457		
Licenses and Permits	494,308		
Intergovernmental	466,110	1,940,834	441,219
Charges for Services	8,670		100,298
Miscellaneous	438,449	9,062	22,468
Interest	943		
Total Receipts	<u>7,451,159</u>	<u>1,949,896</u>	<u>563,985</u>
<b>DISBURSEMENTS</b>			
General Government	1,309,254		
Protection to Persons and Property	1,842,639		1,325,110
General Health and Sanitation	827,818		
Social Services	199,600		
Recreation and Culture	409,575		
Roads	52,647	1,850,681	
Airports			
Bus Services	221,311		
Debt Service	139,068		
Capital Projects	24,464		
Administration	1,624,122	352,315	302,595
Total Disbursements	<u>6,650,498</u>	<u>2,202,996</u>	<u>1,627,705</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>800,661</u>	<u>(253,100)</u>	<u>(1,063,720)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	461,900	508,100	1,063,720
Transfers To Other Funds	<u>(1,063,720)</u>		
Total Other Adjustments to Cash (Uses)	<u>(601,820)</u>	<u>508,100</u>	<u>1,063,720</u>
Net Change in Fund Balance	198,841	255,000	
Fund Balance - Beginning	693,527	267,590	
Fund Balance - Ending	<u>\$ 892,368</u>	<u>\$ 522,590</u>	<u>\$ 0</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,331,551	\$ 522,590	\$
Less: Outstanding Checks	(439,183)		
Certificates of Deposit			
Fund Balance - Ending	<u>\$ 892,368</u>	<u>\$ 522,590</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statement.

NELSON COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2016  
 (Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund
\$	\$	\$	\$	\$ 1,188,478
216,096	10,000	55,981	4,000	
	2,091,924	2,132,525	2,364,167	
	2,019		66,794	
			21,074	
<u>216,096</u>	<u>2,103,943</u>	<u>2,188,506</u>	<u>2,456,035</u>	<u>1,188,478</u>
				140,184
	1,794,756			
		1,832,074	1,582,599	
119,476				4,800
	525,868	284,343	338,157	13,636
<u>119,476</u>	<u>2,320,624</u>	<u>2,116,417</u>	<u>1,920,756</u>	<u>158,620</u>
<u>96,620</u>	<u>(216,681)</u>	<u>72,089</u>	<u>535,279</u>	<u>1,029,858</u>
	185,000		249,000	
		(115,000)	(270,000)	(770,000)
	<u>185,000</u>	<u>(115,000)</u>	<u>(21,000)</u>	<u>(770,000)</u>
96,620	(31,681)	(42,911)	514,279	259,858
232,728	311,019	377,470	5,017,072	90,601
<u>\$ 329,348</u>	<u>\$ 279,338</u>	<u>\$ 334,559</u>	<u>\$ 5,531,351</u>	<u>\$ 350,459</u>
\$ 329,348	\$ 279,338	\$ 334,559	\$ 1,660,843	\$ 350,459
			(932)	
			3,871,440	
<u>\$ 329,348</u>	<u>\$ 279,338</u>	<u>\$ 334,559</u>	<u>\$ 5,531,351</u>	<u>\$ 350,459</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, 2016**  
**(Continued)**

	<u>Unbudgeted Funds</u>		
	<u>Public Improvements Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 6,552,700
Excess Fees			678,457
Licenses and Permits			494,308
Intergovernmental			3,134,240
Charges for Services			6,697,584
Miscellaneous	2,865,179	259,772	3,663,743
Interest		56	22,073
Total Receipts	<u>2,865,179</u>	<u>259,828</u>	<u>21,243,105</u>
<b>DISBURSEMENTS</b>			
General Government	171,253		1,620,691
Protection to Persons and Property		274,306	5,236,811
General Health and Sanitation			4,242,491
Social Services			199,600
Recreation and Culture			409,575
Roads			2,022,804
Airports			4,800
Bus Services			221,311
Debt Service	2,364,418		2,503,486
Capital Projects	7,844		32,308
Administration			3,441,036
Total Disbursements	<u>2,543,515</u>	<u>274,306</u>	<u>19,934,913</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>321,664</u>	<u>(14,478)</u>	<u>1,308,192</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			2,467,720
Transfers To Other Funds	(249,000)		(2,467,720)
Total Other Adjustments to Cash (Uses)	<u>(249,000)</u>		
Net Change in Fund Balance	72,664	(14,478)	1,308,192
Fund Balance - Beginning	437	49,012	7,039,456
Fund Balance - Ending	<u>\$ 73,101</u>	<u>\$ 34,534</u>	<u>\$ 8,347,648</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 73,101	\$ 34,534	\$ 4,916,323
Less Outstanding Checks			(440,115)
Investments			3,871,440
Ending Fund Balance	<u>\$ 73,101</u>	<u>\$ 34,534</u>	<u>\$ 8,347,648</u>

The accompanying notes are an integral part of the financial statement.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	10
NOTE 2.	DEPOSITS .....	13
NOTE 3.	TRANSFERS .....	13
NOTE 4.	AGENCY TRUST FUNDS .....	14
NOTE 5.	LAND HELD FOR RESALE .....	14
NOTE 6.	NOTES RECEIVABLE .....	14
NOTE 7.	AMBULANCE RECEIVABLE .....	15
NOTE 8.	LONG-TERM DEBT .....	15
NOTE 9.	COMMITMENTS AND CONTINGENCIES .....	18
NOTE 10.	EMPLOYEE RETIREMENT SYSTEM .....	19
NOTE 11.	DEFERRED COMPENSATION .....	21
NOTE 12.	HEALTH REIMBURSEMENT ACCOUNT.....	21
NOTE 13.	INSURANCE .....	21

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Nelson County includes all budgeted and unbudgeted funds under the control of the Nelson County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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



**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

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

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.

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

Emergency Medical Services Fund - The primary purpose of this fund is to account for the receipts and disbursements in providing ambulance services to the public. The primary source of receipts for this fund is patient fees.

Solid Waste Fund - The primary purpose of this fund is to account for the activities of the solid waste collection services outside the incorporated city boundaries for county residents, and dead animal removal for commercial entities and the public. The primary source of receipts for this fund is garbage collection fees.

Landfill Fund - The primary purpose of this fund is to account for the operation of the landfill and roll-off container collection services. The primary source of receipts for this fund is landfill disposal fees.

Occupational License 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.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Public Improvements Corporation Fund - The primary purpose of this fund is to account for the leasing, maintenance, and debt service on various county properties leased to commercial entities, other governmental agencies, and the public. This fund accounts for the activity of both the Nelson County Public Properties Corporation and the Nelson County Public Improvements Corporation. The primary source of receipts is rental income. The Department for Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund. The Department for Local Government does not require the fiscal court to budget this fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

**D. Budgetary Information (Continued)**

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The State Local Finance Officer does not require the public improvements corporation fund to be budgeted. However, the Nelson County Fiscal Court includes the fund in the annual budget.

**E. Nelson County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Nelson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Nelson County Fiscal Court.

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

**F. Deposits and Investments**

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

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

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

**G. Long-term Obligations**

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

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2016.

	General Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund	Public Improvements Corporation Fund	Total Transfers In
General Fund	\$	\$ 50,000	\$ 270,000	\$ 141,900	\$	\$ 461,900
Road Fund		65,000		443,100		508,100
Jail Fund	1,063,720					1,063,720
Emergency Medical Services Fund				185,000		185,000
Landfill Fund					249,000	249,000
Total Transfers Out	<u>\$ 1,063,720</u>	<u>\$ 115,000</u>	<u>\$ 270,000</u>	<u>\$ 770,000</u>	<u>\$ 249,000</u>	<u>\$ 2,467,720</u>

**Reason for transfers:**

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

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 4. Agency Trust Funds**

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2016, was \$22,001. This fund is maintained at the jail and is accounted for within the jail commissary fund.

Encroachment Fund - This fund accounts for funds received for encroachment permits administered by the county. The funds are held in an escrow account. The balance in the encroachment fund as of June 30, 2016, was \$48,500.

**Note 5. Land Held For Resale**

In July 2004, the Nelson County Fiscal Court purchased 424 acres to develop Nelson County Industrial Park, located near the intersection of the Martha Layne Collins Parkway and US Highway 150. The property was purchased for \$3,197,674. During the last six years, infrastructure additions have been made to develop the property, including a water tank, initial sewer line installation, and the completion of Parkway Drive. During fiscal year 2016, 82 acres of land held for resale was sold for \$1,788,297. As of June 30, 2016, the county has spent a total of \$8,910,647 on this development.

**Note 6. Notes Receivable**

**A. Roberts Road/Bellwood Road Waterlines Notes**

Notes were issued to property owners who wanted to participate in waterline improvements for their neighborhoods and agreed to repay Nelson County for advances to install the waterlines. Several outstanding loans from property owners have been written off as uncollectible. The following notes with property owners remain as of June 30, 2016.

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 seven percent per year. Terms of the agreements stipulate monthly payments of \$29.03, and \$20.90, respectively, until April 30, 2007. As of June 30, 2016, 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 six percent per year. Terms of the agreements stipulate monthly payments of \$29.08 until February 28, 2013. As of June 30, 2016, 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 \$24.32 until November 30, 2007. As of June 30, 2016, the principal balance due was \$798.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

**B. Central Dispatch Line Of Credit**

On July 16, 2013, the fiscal court has authorized a \$410,000 line of credit to central dispatch. These funds will assist central dispatch with GPS mapping, required upgrades for telephones, recording systems, and digital radios and repeaters. Central dispatch is repaying this credit line at \$4,500 per month. As of June 30, 2016, the fiscal court had loaned \$321,335; the balance due to the fiscal court as of year-end totaled \$266,585.

**C. Kentucky Railway Museum**

On November 15, 2011, the fiscal court granted a \$25,000 loan to the Kentucky Railway Museum (KRM). The museum incurred flood damage and was declared a disaster area, thus eligible for Federal Emergency Management Assistance (FEMA) funds. To expedite repairs, the court voted to provide the funds in advance. As of June 30, 2016, the loan balance due was \$15,000.

**D. Nelson County Fair Board**

On September 10, 2013, the fiscal court granted a \$62,445 loan to the Nelson County Fair Board. These funds will assist the Nelson County Fair Board to purchase bleachers for the fairgrounds. As of June 30, 2016, the loan balance due was \$57,445.

**Note 7. Ambulance Receivable**

On June 30, 2016, the Nelson County Ambulance Service had \$7,000,234 due to be received from customers.

**Note 8. Long-term Debt**

**A. General Obligation Bonds**

In June 2007, the county issued General Obligation bonds in the amount of \$1,135,000 to finance park improvements and construction of a new animal shelter. Interest rates on the individual term bonds range from 3.6 percent to 3.9 percent with the principal and interest payments (approximately \$60,000) due semiannually in November and May until May 15, 2017. Future principal and interest payments are scheduled as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 135,000	\$ 3,998
Totals	\$ 135,000	\$ 3,998

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 8. Long-term Debt (Continued)**

**B. Nelson County Public Improvements Corporation**

**1. Land Held For Resale**

On July 26, 2004, the Nelson County Fiscal Court entered into an agreement to borrow \$3,175,174 from Salt River Electric Cooperative Corporation to purchase 424 acres of land for development as the Nelson County Industrial Park. On July 26, 2014, both parties exercised the option to extend the due date for five years. Principal is due and payable on or before July 25, 2019, with the option to extend the due date for an additional five year period. The note currently bears interest at 1.27 percent, to be adjusted annually on July 26 based on the one year Treasury index. Principal and interest payments are only required when lots are sold in the Industrial Park. The balance of the note payable as July 1, 2015 was \$1,106,603. During fiscal year 2016, 82 acres of land held for resale was sold for \$1,788,297. The Nelson County Fiscal Court received \$331,516 as proceeds from the sale after removing \$27 in processing fees, \$1,106,603 principal payment on the note, and \$350,150 interest payment on the note. The Nelson County Fiscal Court paid \$1,106,603 and \$350,151 towards the loan principal and interest respectively. The principal balance as of June 30, 2016, is \$0.

**2. Lease Agreement - Airport Hanger**

On April 30, 2002, the Nelson County Fiscal Court, on behalf of the Bardstown/Nelson County Air Board, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$100,000 for construction of an airport hanger. This lease has a variable interest rate that is adjusted annually. During fiscal year 2016, the fiscal court received \$6,738 in principal and interest from the Air Board. The fiscal court then paid the debt service to the trustee. Future principal and interest payments are scheduled as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 5,000	\$ 1,474
2018	5,000	1,210
2019	5,000	946
2020	5,000	682
2021	5,000	418
2022	5,000	154
Totals	<u>\$ 30,000</u>	<u>\$ 4,884</u>

**3. Lease Agreement - Fire Truck**

On October 22, 2007, the Nelson County Fiscal Court, on behalf of the New Hope Fire Department, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$131,900 at a fixed interest rate of 4.63 percent for 144 months to purchase a fire truck for the New Hope Fire Department. During the fiscal year 2016, the fiscal court received \$14,387 in principal and interest from the fire department. The fiscal court then paid the debt service to the trustee.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 8. Long-term Debt (Continued)**

**B. Nelson County Public Improvements Corporation (Continued)**

**3. Lease Agreement – Fire Truck (Continued)**

Future principal and interest payments are scheduled as follows:

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 12,535	\$ 1,854
2018	13,201	1,175
2019	13,826	550
2020	4,330	39
Totals	<u>\$ 43,892</u>	<u>\$ 3,618</u>

**4. Justice Center Series 2011 Bonds**

The Nelson County Public Properties Corporation entered into a bond issue, Nelson County Public Properties Corporation First Mortgage Refunding Revenue Bonds (Court Facility Project), Series 2011 on May 10, 2011, for the purpose of paying the costs associated with the refunding and refinancing of the Series 2002 Bonds. Proceeds from the original bond issue provided funds for the construction of the Nelson County Justice Center. The issue amount of the bond was \$7,905,000. Interest on the bonds will be payable semi-annually on December 1 and June 1 of each year commencing December 1, 2011. The bonds will mature on June 1 of each year thereafter.

Fiscal Year Ended June 30	Principal	Interest
2017	\$ 690,000	\$ 164,428
2018	705,000	148,903
2019	730,000	129,515
2020	755,000	107,614
2021	775,000	83,455
2022-2023	1,630,000	87,760
Totals	<u>\$ 5,285,000</u>	<u>\$ 721,675</u>

**5. Justice Center Series 2002B**

On October 16, 2003, the Nelson County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2002 B dated October 1, 2003, in the amount of \$375,000. Proceeds from the bond issue provided funds for the completion of the Nelson County Justice Center. Future principal and interest payments are scheduled as follows:

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 8. Long-term Debt (Continued)**

**B. Nelson County Public Improvements Corporation (Continued)**

**5. Justice Center Series 2002B (Continued)**

Fiscal Year Ended June 30	Principal	Scheduled Interest
2017	\$ 20,000	\$ 7,040
2018	20,000	6,230
2019	20,000	5,400
2020	25,000	4,500
2021	25,000	3,375
2022-2023	50,000	3,375
Totals	<u>\$ 160,000</u>	<u>\$ 29,920</u>

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

Long-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 265,000	\$ 130,000	\$ 135,000	\$ 135,000
Revenue Bonds	6,145,000	700,000	5,445,000	710,000
Financing Obligations	1,197,451	1,123,559	73,892	17,535
	<u>\$ 7,607,451</u>	<u>\$ 1,953,559</u>	<u>\$ 5,653,892</u>	<u>\$ 862,535</u>

**Note 9. Commitments and Contingencies**

**A. Closure and Post-closure of Municipal Solid Waste Landfill**

State and federal laws and regulations require the Nelson County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill (landfill) site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. As of June 30, 2016, county engineers estimate that \$7,158,108 will be required for landfill closure cost and for post-closure care liability. Approximately 65 percent of the landfill airspace capacity has been used as of June 30, 2016. 401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post closure care costs.



**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

**Note 9. Commitments and Contingencies (Continued)**

**A. Closure and Post-closure of Municipal Solid Waste Landfill (Continued)**

Nelson County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$3,916,108, and estimated post closure care costs total \$106,400 per year for 30 years and \$50,000 per year for five years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation. The projected date of closure for the current permitted space is July 1, 2025. No cost related to closure or post closure care has been incurred to date.

**B. Litigation**

The county is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the regulatory basis of accounting, the financial statement does not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the county, the county believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the county. The county did not pay any claims or judgments during fiscal year 2016.

**Note 10. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.06 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.95 percent.

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 account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

The county's contribution for FY 2014 was \$1,396,477, FY 2015 was \$1,306,951, and FY 2016 was \$1,319,600.

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.

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.

CERS also provides post-retirement health care coverage as follows:

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

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives 10 dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**NELSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2016**  
**(Continued)**

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

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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**

On May 21, 2014, 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 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 12. Health Reimbursement Account**

The Nelson Fiscal Court established a health reimbursement account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing \$1,000 each year to pay for qualified medical expenses. The balance in the health reimbursement account as of June 30, 2016, was \$4,157.

**Note 13. Insurance**

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The county purchases commercial insurance to cover all types of losses. Management believes such coverage is sufficient to preclude any significant uninsured losses to the county.

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

**For The Year Ended June 30, 2016**



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

**For The Year Ended June 30, 2016**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 5,174,000	\$ 5,174,000	\$ 5,364,222	\$ 190,222
Excess Fees	247,000	532,000	678,457	146,457
Licenses and Permits	385,000	385,000	494,308	109,308
Intergovernmental	431,800	449,700	466,110	16,410
Charges for Services	9,600	9,600	8,670	(930)
Miscellaneous	416,500	469,500	438,449	(31,051)
Interest	800	800	943	143
Total Receipts	<u>6,664,700</u>	<u>7,020,600</u>	<u>7,451,159</u>	<u>430,559</u>
<b>DISBURSEMENTS</b>				
General Government	1,328,300	1,343,500	1,309,254	34,246
Protection to Persons and Property	1,722,500	1,886,700	1,842,639	44,061
General Health and Sanitation	824,700	832,900	827,818	5,082
Social Services	163,000	208,600	199,600	9,000
Recreation and Culture	452,400	457,000	409,575	47,425
Roads	54,000	54,000	52,647	1,353
Bus Services	220,000	221,400	221,311	89
Debt Service	139,100	139,100	139,068	32
Capital Projects	4,000	24,500	24,464	36
Administration	1,734,700	1,830,900	1,624,122	206,778
Total Disbursements	<u>6,642,700</u>	<u>6,998,600</u>	<u>6,650,498</u>	<u>348,102</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>22,000</u>	<u>22,000</u>	<u>800,661</u>	<u>778,661</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	455,000	461,900	461,900	
Transfers To Other Funds	<u>(1,141,000)</u>	<u>(1,141,000)</u>	<u>(1,063,720)</u>	<u>77,280</u>
Total Other Adjustments to Cash (Uses)	<u>(686,000)</u>	<u>(679,100)</u>	<u>(601,820)</u>	<u>77,280</u>
Net Change in Fund Balance	(664,000)	(657,100)	198,841	855,941
Fund Balance - Beginning	<u>664,000</u>	<u>664,000</u>	<u>693,527</u>	<u>29,527</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 6,900</u>	<u>\$ 892,368</u>	<u>\$ 885,468</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,880,200	\$ 1,880,200	\$ 1,940,834	\$ 60,634
Miscellaneous	800	800	9,062	8,262
Total Receipts	<u>1,881,000</u>	<u>1,881,000</u>	<u>1,949,896</u>	<u>68,896</u>
<b>DISBURSEMENTS</b>				
Roads	2,418,000	2,401,900	1,850,681	551,219
Administration	518,000	534,100	352,315	181,785
Total Disbursements	<u>2,936,000</u>	<u>2,936,000</u>	<u>2,202,996</u>	<u>733,004</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,055,000)</u>	<u>(1,055,000)</u>	<u>(253,100)</u>	<u>801,900</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	715,000	708,100	508,100	(200,000)
Total Other Adjustments to Cash (Uses)	<u>715,000</u>	<u>708,100</u>	<u>508,100</u>	<u>(200,000)</u>
Net Change in Fund Balance	(340,000)	(346,900)	255,000	601,900
Fund Balance - Beginning	<u>340,000</u>	<u>340,000</u>	<u>267,590</u>	<u>(72,410)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (6,900)</u>	<u>\$ 522,590</u>	<u>\$ 529,490</u>



**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 441,000	\$ 441,000	\$ 441,219	\$ 219
Charges for Services	111,000	111,000	100,298	(10,702)
Miscellaneous	89,000	119,000	22,468	(96,532)
Total Receipts	<u>641,000</u>	<u>671,000</u>	<u>563,985</u>	<u>(107,015)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,456,000	1,500,500	1,325,110	175,390
Administration	326,000	311,500	302,595	8,905
Total Disbursements	<u>1,782,000</u>	<u>1,812,000</u>	<u>1,627,705</u>	<u>184,295</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,141,000)</u>	<u>(1,141,000)</u>	<u>(1,063,720)</u>	<u>77,280</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,141,000	1,141,000	1,063,720	(77,280)
Total Other Adjustments to Cash (Uses)	<u>1,141,000</u>	<u>1,141,000</u>	<u>1,063,720</u>	<u>(77,280)</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, 2016**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 195,000	\$ 195,000	\$ 216,096	\$ 21,096
Total Receipts	<u>195,000</u>	<u>195,000</u>	<u>216,096</u>	<u>21,096</u>
<b>DISBURSEMENTS</b>				
Roads	195,000	195,000	119,476	75,524
Administration	40,000	40,000		40,000
Total Disbursements	<u>235,000</u>	<u>235,000</u>	<u>119,476</u>	<u>115,524</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>96,620</u>	<u>136,620</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(100,000)	(100,000)		100,000
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>		<u>100,000</u>
Net Change in Fund Balance	(140,000)	(140,000)	96,620	236,620
Fund Balance - Beginning	<u>140,000</u>	<u>140,000</u>	<u>232,728</u>	<u>92,728</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 329,348</u>	<u>\$ 329,348</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

**EMERGENCY MEDICAL SERVICES FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 10,000	\$ (35,000)
Charges for Services	1,901,000	1,901,000	2,091,924	190,924
Miscellaneous	7,000	7,000	2,019	(4,981)
Total Receipts	<u>1,953,000</u>	<u>1,953,000</u>	<u>2,103,943</u>	<u>150,943</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,870,500	1,871,600	1,794,756	76,844
Administration	611,500	610,400	525,868	84,532
Total Disbursements	<u>2,482,000</u>	<u>2,482,000</u>	<u>2,320,624</u>	<u>161,376</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(529,000)</u>	<u>(529,000)</u>	<u>(216,681)</u>	<u>312,319</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	255,000	255,000	185,000	(70,000)
Total Other Adjustments to Cash (Uses)	<u>255,000</u>	<u>255,000</u>	<u>185,000</u>	<u>(70,000)</u>
Net Change in Fund Balance	(274,000)	(274,000)	(31,681)	242,319
Fund Balance - Beginning	<u>274,000</u>	<u>274,000</u>	<u>311,019</u>	<u>37,019</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 279,338</u>	<u>\$ 279,338</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 57,500	\$ 57,500	\$ 55,981	\$ (1,519)
Charges for Services	2,096,000	2,096,000	2,132,525	36,525
Miscellaneous	8,500	8,500		(8,500)
Total Receipts	<u>2,162,000</u>	<u>2,162,000</u>	<u>2,188,506</u>	<u>26,506</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,901,000	1,902,100	1,832,074	70,026
Administration	456,000	454,900	284,343	170,557
Total Disbursements	<u>2,357,000</u>	<u>2,357,000</u>	<u>2,116,417</u>	<u>240,583</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(195,000)</u>	<u>(195,000)</u>	<u>72,089</u>	<u>267,089</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	
Net Change in Fund Balance	(310,000)	(310,000)	(42,911)	267,089
Fund Balance - Beginning	<u>310,000</u>	<u>310,000</u>	<u>377,470</u>	<u>67,470</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 334,559</u>	<u>\$ 334,559</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

	<b>LANDFILL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 3,000	\$ 3,000	\$ 4,000	\$ 1,000
Charges for Services	2,235,000	2,235,000	2,364,167	129,167
Miscellaneous	71,000	71,000	66,794	(4,206)
Interest	35,000	35,000	21,074	(13,926)
Total Receipts	<u>2,344,000</u>	<u>2,344,000</u>	<u>2,456,035</u>	<u>112,035</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	1,406,000	1,582,599	1,582,599	
Administration	1,173,000	357,799	338,157	19,642
Total Disbursements	<u>2,579,000</u>	<u>1,940,398</u>	<u>1,920,756</u>	<u>19,642</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(235,000)</u>	<u>403,602</u>	<u>535,279</u>	<u>131,677</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			249,000	249,000
Transfers To Other Funds	<u>(370,000)</u>	<u>(370,000)</u>	<u>(270,000)</u>	<u>100,000</u>
Total Other Adjustments to Cash (Uses)	<u>(370,000)</u>	<u>(370,000)</u>	<u>(21,000)</u>	<u>349,000</u>
Net Change in Fund Balance	(605,000)	33,602	514,279	480,677
Fund Balance - Beginning	<u>605,000</u>	<u>605,000</u>	<u>5,017,072</u>	<u>4,412,072</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,531,351</u>	<u>\$ 4,892,749</u>

**NELSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**  
**(Continued)**

**OCCUPATIONAL LICENSE FEE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,187,000	\$ 1,187,000	\$ 1,188,478	\$ 1,478
Total Receipts	<u>1,187,000</u>	<u>1,187,000</u>	<u>1,188,478</u>	<u>1,478</u>
<b>DISBURSEMENTS</b>				
General Government	144,200	144,200	140,184	4,016
Airports	4,800	4,800	4,800	
Administration	84,000	84,000	13,636	70,364
Total Disbursements	<u>233,000</u>	<u>233,000</u>	<u>158,620</u>	<u>74,380</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>954,000</u>	<u>954,000</u>	<u>1,029,858</u>	<u>75,858</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				
Transfers To Other Funds	(1,040,000)	(1,040,000)	(770,000)	270,000
Total Other Adjustments to Cash (Uses)	<u>(1,040,000)</u>	<u>(1,040,000)</u>	<u>(770,000)</u>	<u>270,000</u>
Net Change in Fund Balance	(86,000)	(86,000)	259,858	345,858
Fund Balance - Beginning	<u>86,000</u>	<u>86,000</u>	<u>90,601</u>	<u>4,601</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 350,459</u>	<u>\$ 350,459</u>

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

**June 30, 2016**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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**NELSON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2016**



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

**For The Year Ended June 30, 2016**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Land	\$ 2,988,946	\$	\$	\$ 2,988,946
Land Improvements	12,401,083	14,057		12,415,140
Buildings	29,628,300	262,198	2,956	29,887,542
Vehicles	6,249,304	958,088	316,810	6,890,582
Computers	192,971			192,971
Equipment	4,223,357	125,279		4,348,636
Infrastructure	100,623,447	461,943		101,085,390
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Capital Assets	<u>\$ 156,307,408</u>	<u>\$ 1,821,565</u>	<u>\$ 319,766</u>	<u>\$ 157,809,207</u>

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

**June 30, 2016**

**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 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***





MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Nelson County Fiscal Court for the fiscal year ended June 30, 2016, 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 June 19, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Nelson County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Nelson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Nelson County Fiscal Court's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Nelson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

June 19, 2017



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

**NELSON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2016**



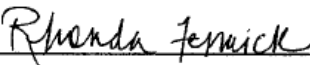
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
NELSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

The Nelson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_

County Judge/Executive

  
\_\_\_\_\_

County Treasurer

