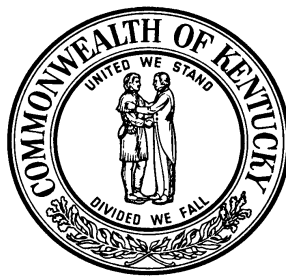


**REPORT OF THE AUDIT OF THE
NELSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE NELSON COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Nelson County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nelson County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$39,528,513 as of June 30, 2009. The fiscal court had unrestricted net assets of \$986,055 in its governmental activities as of June 30, 2009, with total net assets for governmental activities of \$26,117,605. In its business-type activities, total net cash and cash equivalents were \$1,043,714 with total net assets of \$13,410,908. The fiscal court had total debt principal as of June 30, 2009, of \$12,889,141 with \$598,431 due within the next year.

Deposits:

The fiscal court's deposits as of June 30, 2009 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$113,464

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Dean Watts, Nelson County Judge/Executive
Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nelson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Nelson County Fiscal Court. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Nelson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nelson County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund, county road aid fund, jail fund, and occupational license fee fund, for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Dean Watts, Nelson County Judge/Executive
Members of the Nelson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nelson County, Kentucky's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2010 on our consideration of Nelson County, Kentucky'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 and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

March 5, 2010

NELSON COUNTY OFFICIALS**For The Year Ended June 30, 2009****Fiscal Court Members:**

County Judge/Executive	Dean Watts
Magistrate	Jerry Hahn
Magistrate	Tim Hutchins
Magistrate	Sam Hutchins
Magistrate	Maynard Wimsatt
Magistrate	Bernard Ice

Other Elected Officials:

County Attorney	John Kelley, Jr.
County Clerk	Phyllis Mattingly
Sheriff	Mike Newton
Jailer	Dorcas Figg
Property Valuation Administrator	Barbara Tichenor
Coroner	Field Houghlin

Appointed Personnel:

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

COUNTY OF NELSON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Nelson County officials have prepared this narrative to explain, in simpler terms, some of the more important issues in our financial statements. We have presented an overview of the County's financial activities for the fiscal year ended June 30, 2009, within the limitations of the County's modified cash basis of accounting. Please read it along with the County's financial statements that begin on page 19.

FINANCIAL HIGHLIGHTS

- The County's overall net assets declined 4% or \$1.7 million as the depreciation of capital assets exceeds the County's investment in new assets
- Overall, total revenues decreased 4%, and expenses decreased 10.73%
- Occupational license revenues decreased 9% due mostly to the economic recession, resulting in employee layoffs and decreased profits for businesses
- State grant funding continues to decrease. The County did receive grant reimbursement funds for a FY 2008 project totaling \$550,000; however, road and transportation grants decreased \$67,000. Federal grant funding for FY 2009 decreased \$152,000.
- Property tax revenues increased 5.5% overall, down from a 9% increase in the prior year.
- Current assets increased 27%, as the County cut spending and analyzed budget expenditures during the year; long-term debt decreased 4.3%, as the County retired two loan/lease agreements and incurred no additional debt during the year.
- Significant grant projects include a pass-through grant to the E-911 Central Dispatch Office for upgraded fiber optic equipment, and three grants through the Lincoln Trail Area Development District for mobile data equipment for EMS and Law Enforcement.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB), as applicable to the County's modified cash basis of accounting. The modified cash basis of accounting does not accrue revenues or expenses that do not generate or use cash. Capital assets and long-term debt include cash transactions and developer contributions for road construction that is accepted into the County Road system.

Report Components

This annual report includes five parts as follows:

Government-Wide Financial Statements: The Statement of Net Assets (page 19) and the Statement of Activities (page 21) provide information about the activities of the County government-wide (or "as a whole") and present a longer-term view of the County's finances. Capital assets are added to the cash balances in these statements to highlight resources that will provide future services. In addition, long-term debt is included to outline commitments against future resources.

Fund Financial Statements: The fund financial statements (starting on page 24) focus on the individual segments of the County government. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's individual funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term *and* long-term financial information (capital assets and long-term debt) about the activities the County operates like businesses, such as EMS, landfill, and solid waste collections.

Fund financial statements focus on *major* funds, those funds that represent significant components of assets. In the governmental category, the General Fund, Road, Jail, and the Occupational License Fee Fund are classified as major because these funds report significant segments of the governmental activities. Details about these funds are reported on pages 24 through 28. LGEA, Haz Mat 5 Operating, and Federal & State Grants are classified as non major. Details for these funds can be found on pages 63 through 65.

In the business-type activities, the Ambulance, Solid Waste, Landfill Funds, and PIC are classified as major. Jail Canteen is non-major. Details for the non-major fund can be found on pages 38 and 41.

Budgetary Comparisons: Major governmental fund budgetary comparisons have been included with the basic financial statements and are presented on pages 32 through 35.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. Notes begin on page 46.

Required Supplementary Information: The Management's Discussion and Analysis represent financial information that GASB requires in our presentation of the annual financial report. In a narrative format, this section provides users with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Supplementary Information: We have also included Combining Schedules for the nonmajor funds on pages 63 through 65 and Budgetary Comparison Schedules for the nonmajor governmental funds and all proprietary funds on pages 69 through 72. These schedules are not required by GASB, but they do demonstrate compliance with the provisions of the budget ordinances adopted by the Nelson County Fiscal Court.

Basis of Accounting

Nelson County's financial statements are presented in accordance with the modified cash basis of accounting. Nelson County follows the accounting system outlined by the Kentucky State Local Finance Officer in the County Uniform System of Accounts Policy Manual but modifies the annual financial statements to present capital assets. This modified cash basis of accounting differs from generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions. Developer contributions for additional capital assets are recorded in the government-wide statements to provide a more complete inventory of county roads. Depreciation for capital assets is also reported in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services

Basis of Accounting (Continued)

received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the County “as a Whole”

The County’s Reporting Entity Presentation

This annual report includes all activities for which the Nelson County Fiscal Court is fiscally responsible. These activities, defined as the County’s reporting entity, are operated within separate legal entities that make up the primary government. While several related governmental organizations exist in Nelson County, the county government is not fiscally responsible for entities other than the Public Properties Corporation and the Public Improvement Corporation. Those corporations are included in the primary government’s PIC fund.

The Government-Wide Statement of Net Assets and the Statement of Activities

The financial schedules of the County as a whole begin on page 19. The government-wide financial statements are presented on pages 19 through 22. One of the most important questions asked about the County’s finances is, “Is the County as a whole better off or worse off as a result of the year’s activities?” The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all of the County’s assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the County’s net assets and changes in them. Keeping in mind the limitations of the modified a cash basis of accounting, you can think of the County’s net assets—the difference between assets and liabilities—as one way to measure the County’s financial health or financial position. Over time, increases or decreases in the County’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base, economic development, and the condition of the County’s roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

Governmental activities: Most of the County’s basic services are reported here, including the jail, county police, general administration, streets, parks, social services, as well as the state and federal grants. Property taxes, the occupational license fee, and various fees finance these operations.

Business-type activities: The County charges a fee to customers to help cover all or most of the cost of certain services. The County’s Solid Waste, Landfill, Ambulance Service, and Public Improvements Corporation are reported here.

Reporting the County’s Most Significant Funds

The Fund Financial Statements

Our analysis of the County’s major funds begins on page 24. The fund financial statements begin on page 22 and provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the Fiscal Court establishes certain other funds to help it control and manage money for specific activities or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funds. The County’s two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

Reporting the County's Most Significant Funds (Continued)

Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. In Nelson County, these funds include General, Road, Local Government Economic Assistance, Jail, Occupational License Fee, and Federal & State Grant Funds. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. If you review the changes to fund balance, you can determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We outline the differences (generally capital assets, depreciation, and long-term debt) between the governmental activities in the government-wide statements and the governmental fund statements with a schedule at the end of the governmental fund statements.

Proprietary funds—When the County charges customers for the services, these services are generally reported in proprietary funds. In Nelson County, these funds include the Ambulance Service, Solid Waste Pickup, Landfill, and Public Improvement Corporations. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated while principal payments on long-term debt are recorded as a reduction to the liability. In fact, the county's proprietary fund financial statements are essentially the same as the business-type activities in the government-wide statement with more individual fund detail and the cash flow statement.

Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

A FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets—Modified Cash Basis

You can find the Statement of Net Assets on page 19. Net assets as of June 30, 2009 are summarized below. Balances for June 30, 2008 are also presented to provide a two-year comparison.

	2009			2008
	Governmental Activities	Business-type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 1,246,434	\$ 6,765,684	\$ 8,012,118	\$ 6,305,781
Capital assets	25,908,671	18,594,365	44,503,036	48,280,988
Total assets	27,155,105	25,360,049	52,515,154	54,586,769
Long-term debt outstanding	940,000	11,949,141	12,889,141	13,466,918
Other liabilities	97,500		97,500	109,000
Total liabilities	1,037,500	11,949,141	12,986,641	13,575,918
Net assets:				
Invested in capital assets, net of debt	24,968,671	9,502,881	34,471,552	37,671,727
Restricted	162,879	2,489,811	2,652,690	2,491,922
Unrestricted (deficit)	986,055	1,418,216	2,404,271	847,202
Total Net Assets	\$ 26,117,605	\$ 13,410,908	\$ 39,528,513	\$ 41,010,851

Restricted governmental funds are reserved for road improvements in accordance with state requirements for the County Road Aid and Local Government Economic Assistance statutes. \$2.48 million has been set aside in the Landfill Fund to provide for the costs to close and monitor the landfill.

Outstanding debt is still only about 28% of the net value of capital assets. Debt service for the Industrial Park property will be provided by land sales as the Park is developed. The largest outstanding debt balance was incurred to finance the Justice Center which is leased by the Commonwealth of Kentucky for district and circuit court facilities. Therefore, the Commonwealth is responsible for \$8.8 million of the total \$13.4 million in debt (or 66% of the outstanding long-term debt).

Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

Changes in Net Assets—Modified Cash Basis

You can find the Statement of Activities on pages 20 and 21. For the year ended June 30, 2008 net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

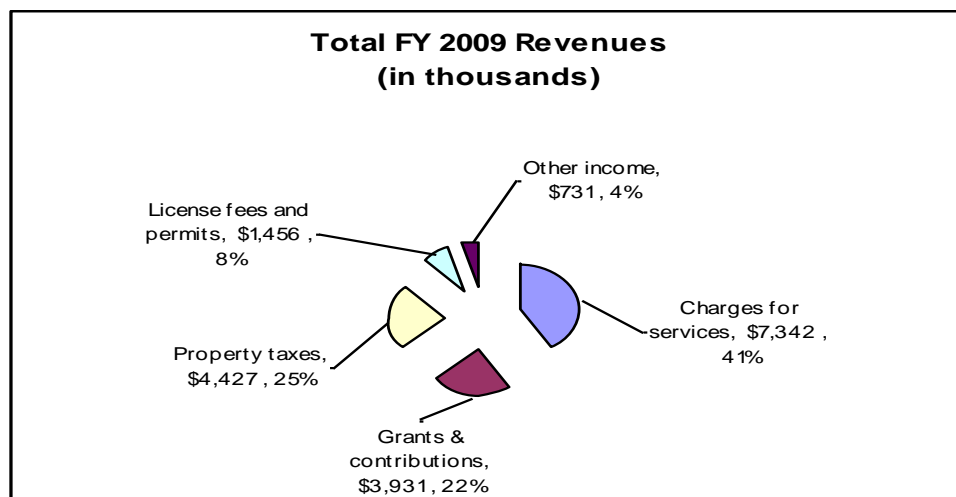
	2009			2008
	Governmental Activities	Business-type Activities	Total Primary Government	Total Primary Government
Revenues:				
Program revenues:				
Charges for services	\$ 701,999	\$ 6,639,865	\$ 7,341,864	\$ 7,157,068
Grant funding	2,970,649	761,824	3,732,473	3,964,086
Capital contributions	198,528		198,528	665,275
General revenues:				
Property taxes	4,427,039		4,427,039	4,227,635
Transient room tax	141,893		141,893	141,893
License fees and permits	1,455,950		1,455,950	1,592,618
Interest and investment earnings	76,565	166,171	242,736	163,254
Gain/Loss on transfer of assets				(261,852)
Miscellaneous	225,899	120,604	346,503	1,116,510
Total Revenues	<u>10,198,522</u>	<u>7,688,464</u>	<u>17,886,986</u>	<u>18,766,487</u>
Program Expenses:				
General government	2,630,073	1,263,558	3,893,631	4,171,711
Public Protection	3,130,976	2,264,204	5,395,180	5,189,458
Recreation	620,605		620,605	1,067,784
Road maintenance	4,902,790		4,902,790	4,786,745
General health & sanitation	692,728	3,752,037	4,444,765	4,828,899
Social services	122,563		122,563	150,172
Transportation	227,748		227,748	248,121
Total Expenses	<u>12,327,483</u>	<u>7,279,799</u>	<u>19,607,282</u>	<u>20,442,890</u>
Excess (deficiency) before transfers and special items	(2,128,961)	408,665	(1,720,296)	(1,676,403)
Transfers	(92,500)	92,500		
Increase (decrease) in net assets	<u>\$ (2,221,461)</u>	<u>\$ 501,165</u>	<u>\$ (1,720,296)</u>	<u>\$ (1,676,403)</u>

In total, charges for services increased 2.6% from 2008 to 2009. Solid waste collection fees were increased during the year, resulting in a 7.5% increase in revenue. Landfill revenues continue to decline (2%) with the housing construction market. Ambulance service revenue was flat, showing only a 1.3% increase.

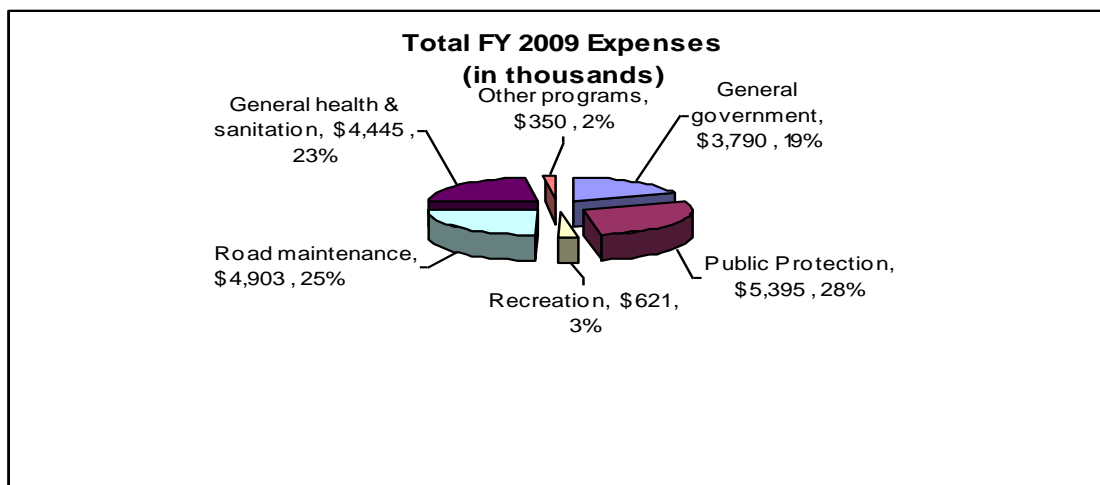
Changes in Net Assets—Modified Cash Basis (Continued)

Grant funding decreased due to state budgetary constraints. State school transportation reimbursements were 17% lower than the prior year; county roads received 5% less monies than in FY 2008.

Property taxes are only 25% of total revenues and fund only 36% of governmental operations. The occupational license fee contributes additional funding (\$1,006,000) for both governmental and proprietary activities. \$275,000 is used to subsidize EMS operations and the balance is used for jail and road maintenance. Charges for services provide 41% of the County's financial resources. These ratios emphasize that the County relies heavily on charges for service to fund operations, while property taxes and occupational license fee provide significantly smaller portions. Property taxes (\$4.4 million) and operating grant revenues (\$4.6 million) contribute substantially the same portion to fund operations.

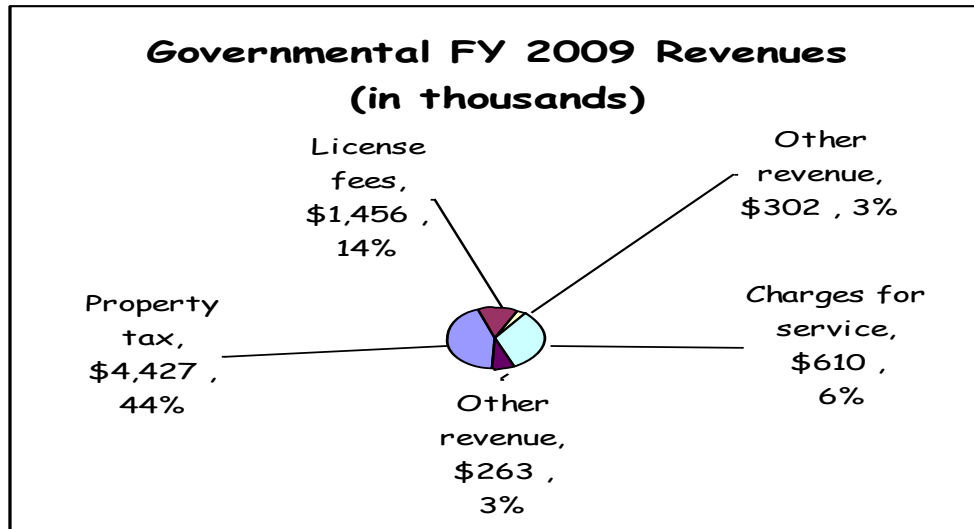


25% of Nelson County's total expenses are incurred for road improvements and maintenance. Ambulance, Jail, and Law Enforcement account for 28%, while the Solid Waste and Landfill are 23% of the total. General government expenses include costs to help support the Planning & Zoning administration, County Attorney, Coroner, Property Valuation Administration, Justice Center maintenance, and county building maintenance, as well as the administrative staff and certain fringe benefit costs for county government.

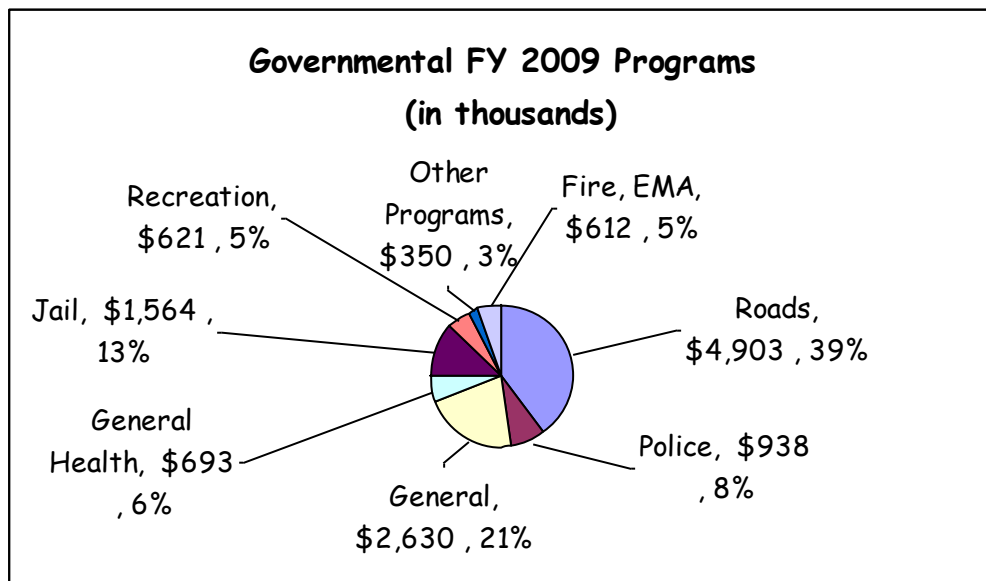


Governmental Activities

Property tax and the occupational license fee provide 58% of the resources for governmental services. Recurring intergovernmental revenues include excess fees transferred from the Sheriff and County Clerk (\$556,300), State Road Aid (\$1.75 million) and a variety of other state revenue sharing programs. License fees include the deed tax (\$115,200), code enforcement fees (\$261,700) and the occupational license fee (\$1,006,000). Occupational license fees decreased 9% over the prior year due to the economic recession and area job losses.



Governmental expenses use these resources for a wide variety of programs. Roads (39%) are our major program. Additional services include the Jail (13%), County Police (8%), Recreation (5%), and other programs. Other public safety programs include building inspection and contributions to local fire departments. General Health and Safety includes the Division of Animal Control and the subsidy to the County Health Department.



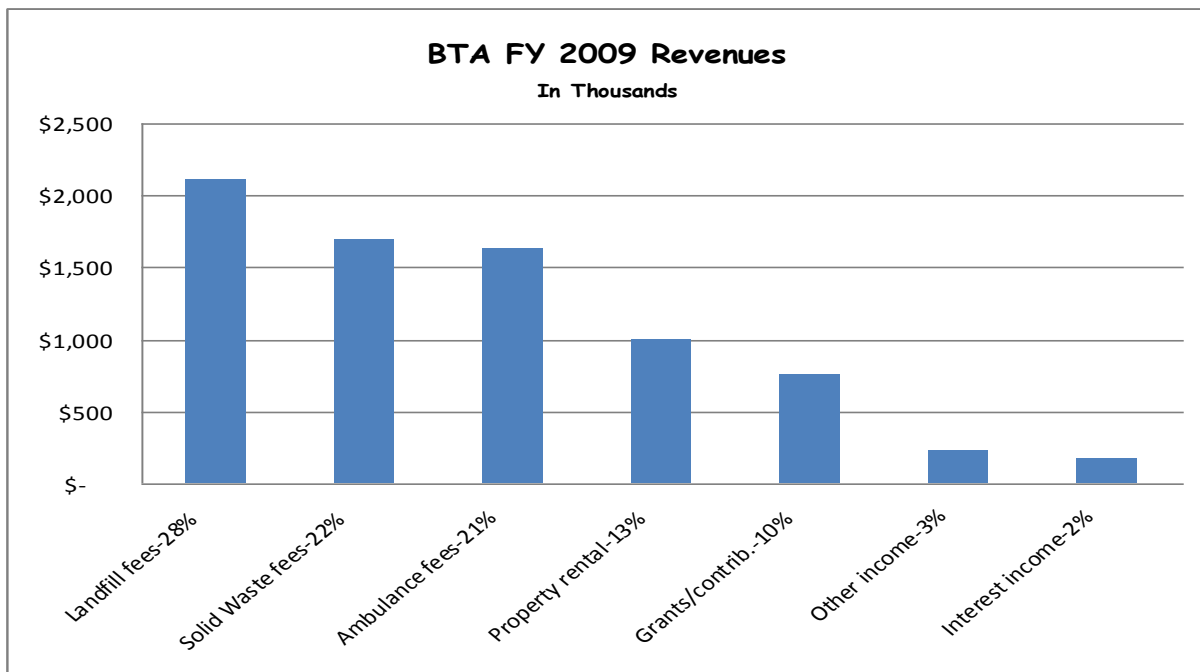
Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

Governmental Activities (Continued)

Overall, governmental activities resulted in a decrease in net assets of nearly \$2.2 million as increases in demands for service outpace revenue growth.

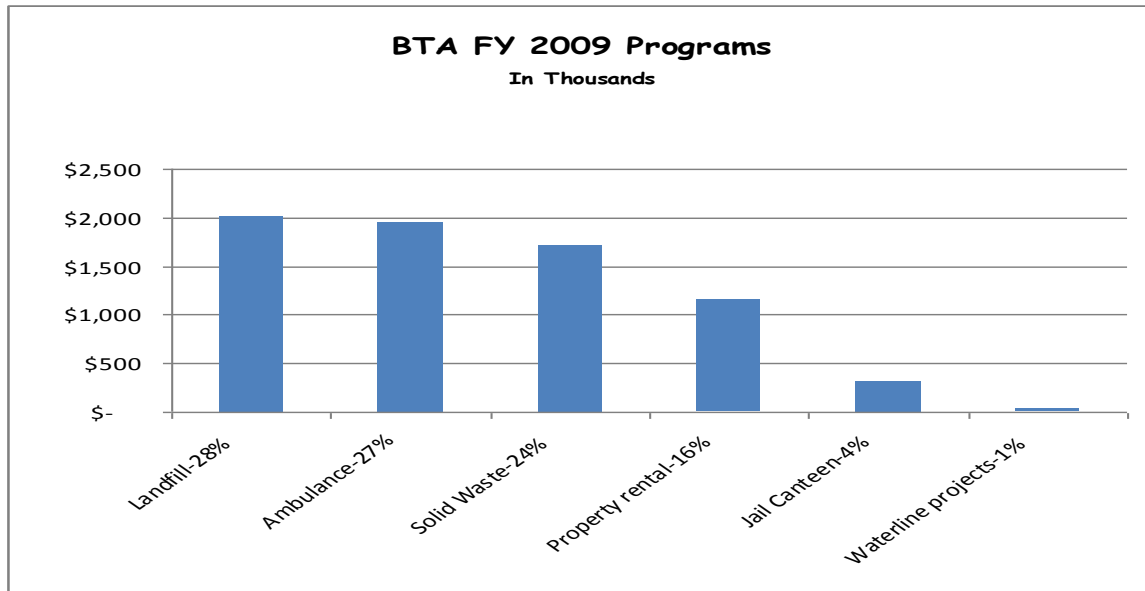
Business-Type Activities

Charges for services are the largest resource in the business-type activities. In FY 2009, the Landfill generated 28% of the total proprietary revenues, solid waste collection 22%, ambulance 21%, and property management represented 13%. Solid Waste's garbage billing rates were increased by Fiscal Court during the year; ambulance revenues benefited from the rate increases approved by Medicare



Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

Business-Type Activities (Continued)



The program analysis, however, indicates that Landfill and Ambulance costs are the largest components (52%) and explains the \$275,000 subsidy from OLF for the ambulance service. Landfill and solid waste collections usually generate profits that are set aside for future capital asset investments within these programs. Solid Waste program expenses were higher than current year revenues for FY 2008, with the increase related to fuel and repair expenditures.

Property rental includes the Justice Center lease with the Commonwealth of Kentucky that funds the debt service on those bonds. Recreation programs are break-even with pass-through grants for specific programs. Waterline projects at the Industrial Park are funded through state grants.

In total the business-type activities increased net assets by \$501,165, due to grant reimbursements for FY 2008 expenditures, and retirement of debt.

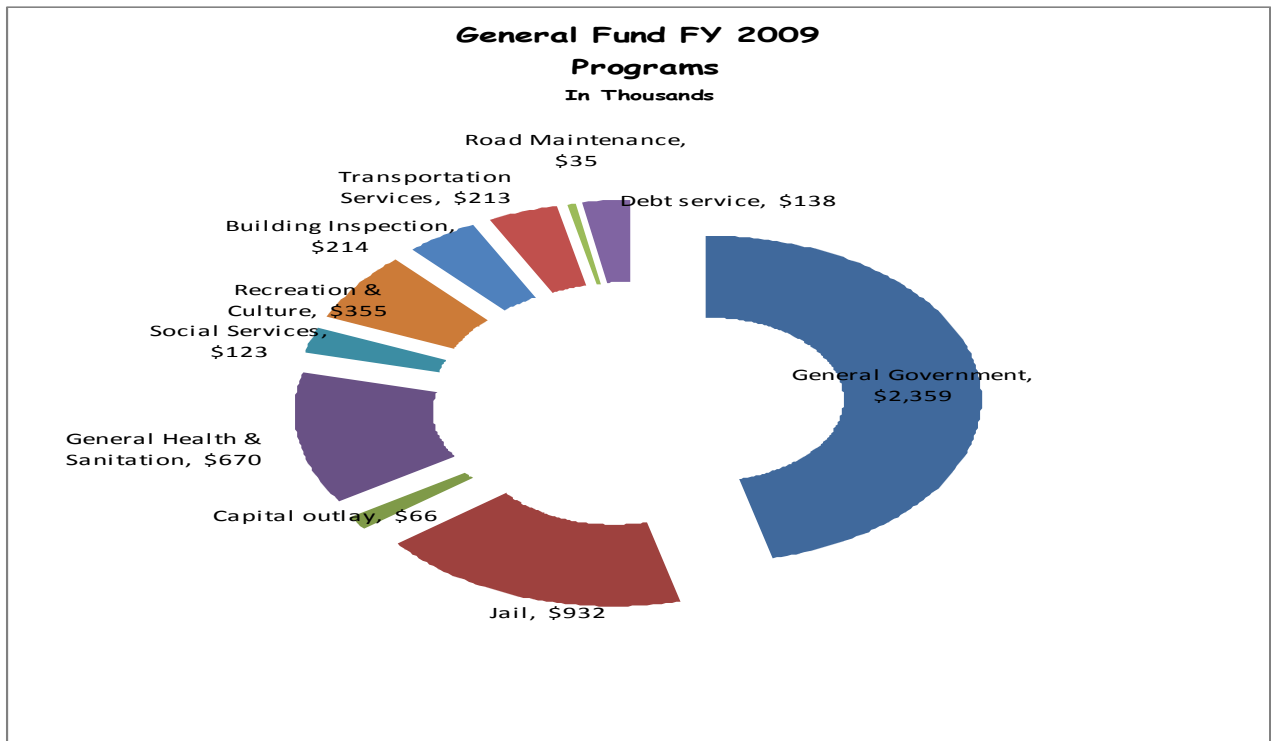
A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The fund statements on pages 21 through 35 provide a more detailed look at the individual programs for Nelson County.

The General Fund includes a wide variety of programs and services. The chart below outlines the range of activities, from the county's administration to transportation subsidy for schools. Debt service is still a small component of the total costs in the General Fund, with only 3% expended during FY 2009. The subsidy to the Jail represents 18% of the General Fund outlays which funds 56% of the Jail's operations. Administration includes the fringe benefits for all salaries charged to the General Fund, in accordance with the uniform accounting policies prescribed by the Kentucky State Local Finance Officer.

Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)



The Road Fund expended more for road maintenance in FY 2009, due mostly to the January 2009 ice storm. FEMA and State of Kentucky are expected to reimburse the County approximately 83% of these expenditures.

The costs of operating the Jail increased minimally (\$6,400) compared to FY 2008 and decreased the subsidy from the General Fund from \$913,324 in FY 2008 to \$832,386 in FY 2009.

OLF revenues decreased 9% or \$97,042 from FY 2008 collections. Projected revenues are expected to decrease further given the economic recession, increase in unemployment rate, and the continued slowdown in the construction sector.

Budgetary Highlights

County budgets in Kentucky are approved and monitored by the State Local Finance Officer. Counties are allowed to make line-item transfers during the year without state approval. You can find budget to actual comparisons on for the governmental funds on pages 32 through 35 and the business-type activities and nonmajor funds on pages 67 through 72.

Budget amendments during FY 2009 provided additional funding for the following projects:

- 1) Recognize grant funds for Mobile Data Radios and Equipment, Taser Equipment, Security Equipment, and Waterline Grants.
- 2) Increased appropriations for the City/County Central Dispatch Service.
- 3) Recognized an increase in property tax revenues of \$71,000.

There were no significant budgetary variances during the fiscal year.

Nelson County, Kentucky
 Management Discussion & Analysis
 For The Year Ended June 30, 2009
 (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—Modified Cash Basis

At June 30, 2009, the County had over \$43 million invested in capital assets, net of depreciation. Almost 77% of the governmental assets and 43% of business-type activities are depreciated. Since the road and bridge infrastructure is the largest component of governmental assets and 45% of those roads were built prior to 1980, accumulated depreciation is much higher for this component of capital assets. This trend also parallels the budget focus on road maintenance and construction in the governmental funds. Business-type assets are newer, with the construction of the \$11,000,000 Justice Center and improvements to the Nelson County Plaza, purchased in 1998.

Nelson County's Capital Assets (net of depreciation)

	Governmental Activities	Business-Type Activities	Total	FY 2008
Land	\$ 1,684,346	\$ 1,529,600	\$ 3,213,946	\$ 3,213,946.00
Land improvements	385,866	4,137,936	4,523,802	5,155,164
Buildings	3,066,494	9,984,672	13,051,166	13,649,549
Vehicles	399,706	1,800,858	2,200,564	2,199,289
Computers	5,558	3,285	8,843	16,968
Equipment	265,398	503,226	768,624	879,577
Infrastructure	20,101,303	634,788	20,736,091	23,166,495
Total	\$ 25,908,671	\$ 18,594,365	\$ 44,503,036	\$ 48,280,988

Major capital additions during FY 2009 include:

- 1) Improvements to green space at the Nelson County Plaza (\$12,975);
- 2) Renovations at the State Office Building (\$32,039);
- 3) Purchase of two automobiles for Law Enforcement (\$48,166);
- 4) EMS Parking Lot improvements (\$20,068);
- 5) EMS purchased 2 emergency vehicles (\$57,101);
- 6) Mobile data computers and related equipment for EMS (\$89,541);
- 7) Roll-off truck for Landfill (\$108,000) and 5 roll off containers (\$19,970)
- 8) Road and bridge improvements included improvements to Hall Simpson Road (\$100,224), Plum Run Road (\$69,621), Ed Brent Road (\$56,428), Hunters Lane (\$49,177), Thomas Lane (\$36,957), McCubbins Lane (\$37,592), and Harrison Ford Road (\$36,502); annual paving for other district projects (\$68,693). Bridge improvements were made on Wilkerson Road (\$149,432) and Green Chapel Road (\$7,950).
- 9) PIC completed Parkway Drive and improved the existing roadways in the Industrial Park (\$271,968) to facilitate development of that property. This road will eventually be transferred to the County Road inventory. Improvements at the Nelson Industrial Park were necessitated by the purchase of property by the Flowers Foods Corporation.

Long-Term Debt—Modified Cash Basis

At June 30, 2009, the County had \$12.9 million in long-term debt arising from modified cash basis transactions compared to \$13.5 million at June 30, 2008. Nelson County retired \$577,777 in debt with annual payments on notes, leases, and bonds.

There were no debt retirements in FY 2009 and the County did not incur any new debt.

Long-Term Debt—Modified Cash Basis (Continued)

MD&A Table 4
 Nelson County's Outstanding Debt

Category	Governmental Activities	Business-type Activities	FY 2009 Total	FY 2008 Total
Bonds	\$ 940,000	\$ 8,880,000	\$ 9,820,000	\$ 10,370,000
Notes		2,857,657	2,857,657	2,857,657
Capital leases		211,484	211,484	239,261
Total	<u>\$ 940,000</u>	<u>\$ 11,949,141</u>	<u>\$ 12,889,141</u>	<u>\$ 13,466,918</u>

Nelson County's outstanding debt is only 28% of net capital assets, illustrating the Court's preference for cash, rather than debt financing. Nelson County's debt is unique in that taxpayers only provide funding for one bond issue—the 2007 General Obligation bonds issued to finance park improvements and the construction of the Animal Shelter. Other debt is paid from leases as follows:

- Capital leases funded fire trucks for Northeast Nelson and New Hope, and an airport hangar at Samuels Field. Lease revenues provide 100% of the debt service requirements.
- Bonds were issued for the new Justice Center which is also funded with a lease to the Commonwealth of Kentucky.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several trends that continued from FY 2008 to FY 2009 signaled a slowing in the Nelson County economy—building permits continue to decline, occupational license fees are lower, and landfill fees are affected by slowed construction activity. Economic development in Nelson County has been mixed. New industries, namely Flowers Foods Corporation and Sykes Enterprises, moved into Nelson County while other companies, especially within the vehicle manufacturing sector announced closings and employee reductions. The Nelson County Economic Development Agency, Kentucky Economic Development Cabinet and local elected officials are working aggressively to attract new commercial development in Nelson County. Additional infrastructure improvements at the Nelson Industrial Park will continue, in hopes of selling more lots to new industries that will expand the employment opportunities in Nelson County and the surrounding counties.

With budget strains sweeping across the State of Kentucky, the Nelson County Fiscal Court is researching additional resources to finance road maintenance for county roads. As the County's population has increased, new roads were constructed by developers as subdivisions were added. Resources from the OLF and Commonwealth of Kentucky are not keeping pace with the needs for maintaining the expanding infrastructure assets in Nelson County, and the County. The Fiscal Court has shifted its policy from maintaining property tax millage rates to adopting the 4% annual revenue increase allowed under KY law in an effort to provide additional resources for the Road Fund.

Budget pressures continue in FY 2010. Declines continue with School Transportation grants (13%), and the Road Fund's Truck License Distribution (8.5%). A December 2009 special election for the District 14 Senate seat cost \$37,000. Health insurance rates increased 22%. Fuel costs remain unpredictable, and availability and cost of salt for snow removal have nearly doubled in the past two years. The State of Kentucky is looking to make 4% cuts in all departments.

Nelson County, Kentucky
Management Discussion & Analysis
For The Year Ended June 30, 2009
(Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

The unemployment rate in Nelson County in December 2009 was 11.2%, which is 1.6% higher than the 9.6% rate from December 2008. This compares unfavorably to the state rate of 10.4% and the national rate of 9.7% for the same period.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

We hope this report helps our citizens, taxpayers, customers, and creditors understand our finances. We should demonstrate our accountability for the resources we manage and the annual financial report is an important communication tool to accomplish that goal. This report was prepared by County Treasurer Rhonda Fenwick. If you have any questions about this report or need additional financial information, please contact the Treasurer at One Court Square in Bardstown, by phone at 502-348-1804, or visiting our website at www.nelsoncountky.com.

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**NELSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2009

NELSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 1,210,348	\$ 1,043,714	\$ 2,254,062
Investments	36,086	2,489,811	2,525,897
Land for resale		3,232,159	3,232,159
Capital assets, net	25,908,671	18,594,365	44,503,036
	<u>27,155,105</u>	<u>25,360,049</u>	<u>52,515,154</u>
LIABILITIES			
Deposits	97,500		97,500
Long-Term Liabilities:			
Due within one year	100,000	498,431	598,431
Due in more than one year	840,000	11,450,710	12,290,710
	<u>1,037,500</u>	<u>11,949,141</u>	<u>12,986,641</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,968,671	9,502,881	34,471,552
Restricted for:			
Infrastructure	159,695	2,489,811	2,649,506
Special projects	3,184		3,184
Unrestricted	986,055	1,418,216	2,404,271
Total net assets	<u>\$ 26,117,605</u>	<u>\$ 13,410,908</u>	<u>\$ 39,528,513</u>

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

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NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ (2,630,073)	\$ 269,435	\$ 698,240	\$
Public Protection				
Jail	(1,563,611)	424,401	73,804	
Law Enforcement	(937,803)		287,061	
Building Inspection	(221,193)			
Fire Protection	(34,199)			
Emergency Management	(352,184)			
Public Advocacy	(4,685)			
HazMat 5	(17,301)		10,000	
General Health & Sanitation	(692,728)	7,433		
Social Services	(122,563)			
Recreation & Culture	(620,605)			
Road Maintenance	(4,902,790)	730	1,901,544	198,528
Transportation Services	(227,748)			
Total governmental activities	(12,327,483)	701,999	2,970,649	198,528
Business-type activities:				
General Government	(1,263,558)	994,476		
Public Protection:				
Jail Canteen	(307,786)	204,268		
EMS	(1,956,418)	1,628,509		147,916
General Health & Sanitation:				
Waterline projects	(24,930)			562,139
Landfill	(2,012,287)	2,113,146		
Solid Waste	(1,714,820)	1,699,466	51,769	
Total business-type activities	(7,279,799)	6,639,865	51,769	710,055
Total primary government	(19,607,282)	7,341,864	3,022,418	908,583

General revenues:

Taxes:

Property taxes, levied for general purposes

Transient room tax

License Fees and Permits, levied for general purposes

Interest and investment earnings

Other income

Cash Transfers

Total general revenues, special items, and transfers

Change in net assets

Net assets--beginning (Restated)

Net assets--ending

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

NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009 (Continued)

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,662,398)	\$	\$ (1,662,398)
(1,065,406)		(1,065,406)
(650,742)		(650,742)
(221,193)		(221,193)
(34,199)		(34,199)
(352,184)		(352,184)
(4,685)		(4,685)
(7,301)		(7,301)
(685,295)		(685,295)
(122,563)		(122,563)
(620,605)		(620,605)
(2,801,988)		(2,801,988)
(227,748)		(227,748)
<u>(8,456,307)</u>		<u>(8,456,307)</u>
	(269,082)	(269,082)
	(103,518)	(103,518)
	(179,993)	(179,993)
	537,209	537,209
	100,859	100,859
	36,415	36,415
	<u>121,890</u>	<u>121,890</u>
<u>(8,456,307)</u>	<u>121,890</u>	<u>(8,334,417)</u>
4,427,039		4,427,039
141,893		141,893
1,455,950		1,455,950
76,565	166,171	242,736
225,899	120,604	346,503
(92,500)	92,500	
<u>6,234,846</u>	<u>379,275</u>	<u>6,614,121</u>
(2,221,461)	501,165	(1,720,296)
<u>28,339,066</u>	<u>12,909,743</u>	<u>41,248,809</u>
<u>\$ 26,117,605</u>	<u>\$ 13,410,908</u>	<u>\$ 39,528,513</u>

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

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NELSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

NELSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	County Road Aid	Jail	OLF
ASSETS				
Cash and cash equivalents	\$ 965,430	\$ 78,833	\$	\$ 85,625
Investments		36,086		
Total assets	<u>965,430</u>	<u>114,919</u>	<u></u>	<u>85,625</u>
LIABILITIES				
Road Bonds		32,500		
Encroachment permits	65,000			
Total liabilities (Note 2)	<u>65,000</u>	<u>32,500</u>	<u></u>	<u></u>
FUND BALANCES				
Reserved for:				
Infrastructure		82,419		
Special projects				
Unreserved, reported in:				
General fund	900,430			85,625
Total fund balances	<u>900,430</u>	<u>82,419</u>	<u></u>	<u>85,625</u>
Total liabilities and fund balances	<u>\$ 965,430</u>	<u>\$ 114,919</u>	<u>\$ 0</u>	<u>\$ 85,625</u>

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

NELSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Non Major Funds	Total Governmental Funds
\$ 80,460	\$ 1,210,348
	36,086
<u>80,460</u>	<u>1,246,434</u>
	32,500
	<u>65,000</u>
	<u>97,500</u>
	77,276
	159,695
	3,184
	3,184
	986,055
<u>80,460</u>	<u>1,148,934</u>
<u>\$ 80,460</u>	<u>\$ 1,246,434</u>

Reconciliation of the Balance Sheet - Governmental Funds To The Statement Of Net Assets

Total Fund Balance	\$ 1,148,934
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of depreciation) used in governmental activities are financial resources and therefore are not reported in the funds.	25,908,671
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(940,000)
Net assets of governmental activities	<u>\$ 26,117,605</u>

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

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**NELSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

NELSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	County				Non Major Funds	Total Governmental Funds
	General	Road Aid	Jail	OLF		
REVENUES:						
Taxes	\$ 4,568,932	\$	\$	\$	\$	\$ 4,568,932
Business licenses	449,338			1,006,612		1,455,950
Intergovernmental revenues	985,301	1,746,073	73,804		165,471	2,970,649
Charges for services	277,598		424,401			701,999
Interest	55,636	17,586		286	3,057	76,565
Other	54,569	6,823	164,457		50	225,899
Total revenues	<u>6,391,374</u>	<u>1,770,482</u>	<u>662,662</u>	<u>1,006,898</u>	<u>168,578</u>	<u>9,999,994</u>
EXPENDITURES:						
Current operating:						
General Government	2,359,469			113,736		2,473,205
Public Protection						
Jail			1,490,980			1,490,980
Law Enforcement	824,040					824,040
Building Inspection	213,724					213,724
Fire Protection	34,199					34,199
Emergency Management	335,787					335,787
Public Advocacy	4,685					4,685
HazMat 5					17,301	17,301
General Health & Sanitation	669,525					669,525
Social Services	122,563					122,563
Recreation & Culture	355,354					355,354
Road Maintenance	34,939	1,395,178			111,573	1,541,690
Transportation Services	212,948			14,800		227,748
Capital outlay	65,794	951,106	4,068	-		1,020,968
Debt service:						
Principal	100,000					100,000
Interest	38,495					38,495
Total expenditures	<u>5,371,522</u>	<u>2,346,284</u>	<u>1,495,048</u>	<u>128,536</u>	<u>128,874</u>	<u>9,470,264</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	<u>1,019,852</u>	<u>(575,802)</u>	<u>(832,386)</u>	<u>878,362</u>	<u>39,704</u>	<u>529,730</u>

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

NELSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	General	County Road Aid	Jail	OLF	Non Major Funds	Total Governmental Funds
Other Financing Sources (Uses):						
Transfers in	\$ 253,395	\$ 600,000	\$ 832,386	\$	\$ 2,500	\$ 1,688,281
Transfers out	(932,386)			(848,395)		(1,780,781)
Total transfers and other sources	<u>(678,991)</u>	<u>600,000</u>	<u>832,386</u>	<u>(848,395)</u>	<u>2,500</u>	<u>(92,500)</u>
Net change in fund balance	340,861	24,198		29,967	42,204	437,230
Fund balances--beginning (restated)	559,569	58,221		55,658	38,256	711,704
Fund balances--ending	<u>\$ 900,430</u>	<u>\$ 82,419</u>	<u>\$ 0</u>	<u>\$ 85,625</u>	<u>\$ 80,460</u>	<u>\$ 1,148,934</u>

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

**NELSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

NELSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net change in fund balances--total governmental funds	\$ 437,230
Amounts reported for <i>governmental activities</i> in the statement of activities are different because (see Note 6, also):	
Depreciation expense reported in statement of activities	(3,978,187)
Capital outlay reported in governmental	1,020,968
Developer contributions - road projects	198,528
Principal payments on long-term debt reported as governmental expenditures	100,000
Change in net assets of governmental activities	<u>\$ (2,221,461)</u>

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

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NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS

For The Year Ended June 30, 2009

NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	\$ 4,514,000	\$ 4,585,000	\$ 4,568,932	\$ (16,068)
Licenses & Permits	503,150	503,150	449,338	(53,812)
Intergovernmental Revenues	914,577	1,008,577	985,301	(23,276)
Charges for Services	257,000	257,000	277,598	20,598
Other	83,500	97,500	54,569	(42,931)
Interest	25,000	25,000	55,636	30,636
Total Revenues	<u>6,297,227</u>	<u>6,476,227</u>	<u>6,391,374</u>	<u>(84,853)</u>
Expenditures				
General Government	2,638,960	2,638,960	2,359,469	279,491
Public Protection				
Law Enforcement	752,900	843,000	824,040	18,960
Building Inspection	217,050	216,450	213,724	2,726
Fire Protection	30,000	34,325	34,199	126
Emergency Management	123,650	340,850	335,787	5,063
Public Advocacy	4,690	4,690	4,685	5
General Health & Sanitation	667,500	673,500	669,525	3,975
Social Services	128,000	132,600	122,563	10,037
Recreation & Culture	378,800	378,800	355,354	23,446
Road Maintenance	35,000	35,000	34,939	61
Transportation Services	245,000	245,000	212,948	32,052
General Debt Service:				
Principal	100,000	100,000	100,000	
Interest	38,500	38,500	38,495	5
Capital Projects	248,500	260,700	65,794	194,906
Contingencies	218,749	63,924		63,924
Total Expenditures	<u>5,827,299</u>	<u>6,006,299</u>	<u>5,371,522</u>	<u>634,777</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	469,928	469,928	1,019,852	549,924
Other Financing Sources (Uses):				
Transfers Out	(1,208,800)	(1,208,800)	(932,386)	276,414
Transfers In	250,000	250,000	253,395	3,395
Total Other Financing Sources (Uses)	<u>(958,800)</u>	<u>(958,800)</u>	<u>(678,991)</u>	<u>279,809</u>
Net Changes In Fund Balance	(488,872)	(488,872)	340,861	829,733
Fund Balance, July 1, 2008	<u>488,872</u>	<u>488,872</u>	<u>559,569</u>	<u>70,697</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 900,430</u>	<u>\$ 900,430</u>

NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS
COUNTY ROAD AID FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenues	\$ 2,577,880	\$ 2,613,880	\$ 1,746,073	\$ (867,807)
Other	500	6,500	6,823	323
Interest	8,100	8,100	17,586	9,486
Total Revenues	<u>2,586,480</u>	<u>2,628,480</u>	<u>1,770,482</u>	<u>(857,998)</u>
Expenditures				
Road Maintenance	2,153,200	2,224,400	1,395,178	829,222
Capital Projects	1,045,000	1,095,700	951,106	144,594
Contingencies	101,788	21,888		21,888
Total Expenditures	<u>3,299,988</u>	<u>3,341,988</u>	<u>2,346,284</u>	<u>995,704</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(713,508)	(713,508)	(575,802)	137,706
Other Financing Sources (Uses):				
Transfers In	650,000	650,000	600,000	(50,000)
Total Other Financing Sources (Uses)	<u>650,000</u>	<u>650,000</u>	<u>600,000</u>	<u>(50,000)</u>
Net Changes In Fund Balance	(63,508)	(63,508)	24,198	87,706
Fund Balance, July 1, 2008	<u>63,508</u>	<u>63,508</u>	<u>58,221</u>	<u>(5,287)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 82,419</u>	<u>\$ 82,419</u>

NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS
JAIL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenues	\$ 82,300	\$ 82,300	\$ 73,804	\$ (8,496)
Charges for Services	267,800	267,800	424,401	156,601
Other	129,000	129,000	164,457	35,457
Total Revenues	<u>479,100</u>	<u>479,100</u>	<u>662,662</u>	<u>183,562</u>
Expenditures				
Public Protection	1,564,400	1,579,200	1,490,980	88,220
Capital	8,500	8,500	4,068	4,432
Contingencies	15,000	200	200	200
Total Expenditures	<u>1,587,900</u>	<u>1,587,900</u>	<u>1,495,048</u>	<u>92,852</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(1,108,800)	(1,108,800)	(832,386)	276,414
Other Financing Sources (Uses):				
Transfers In	1,108,800	1,108,800	832,386	(276,414)
Total Other Financing Sources (Uses)	<u>1,108,800</u>	<u>1,108,800</u>	<u>832,386</u>	<u>(276,414)</u>
Net Changes In Fund Balance				
Fund Balance, July 1, 2008	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS
OLF FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Occupational License Fee	\$ 1,089,800	\$ 1,089,800	\$ 1,006,612	\$ (83,188)
Interest	3,500	3,500	286	(3,214)
Total Revenues	<u>1,093,300</u>	<u>1,093,300</u>	<u>1,006,898</u>	<u>(86,402)</u>
Expenditures				
General Government	113,730	117,730	113,736	3,994
Air Board Contribution	14,700	14,800	14,800	
Contingencies	30,365	26,265		26,265
Total Expenditures	<u>158,795</u>	<u>158,795</u>	<u>128,536</u>	<u>30,259</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	934,505	934,505	878,362	(56,143)
Other Financing Sources (Uses):				
Transfers Out	<u>(1,010,000)</u>	<u>(1,010,000)</u>	<u>(848,395)</u>	<u>161,605</u>
Total Other Financing Sources (Uses)	<u>(1,010,000)</u>	<u>(1,010,000)</u>	<u>(848,395)</u>	<u>161,605</u>
Net Changes In Fund Balance	(75,495)	(75,495)	29,967	105,462
Fund Balance, July 1, 2008	<u>75,495</u>	<u>75,495</u>	<u>55,658</u>	<u>(19,837)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85,625</u>	<u>\$ 85,625</u>

**NELSON COUNTY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS**

June 30, 2009

NELSON COUNTY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2009

	EMS	Solid Waste	Landfill	PIC
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,965	\$ 107,095	\$ 902,073	\$ 766
Investments			2,489,811	
Land for resale				3,232,159
Total current assets	<u>3,965</u>	<u>107,095</u>	<u>3,391,884</u>	<u>3,232,925</u>
Noncurrent assets:				
Land			1,404,946	124,654
Land improvement			9,104,615	506,358
Buildings	272,118		449,149	14,490,860
Vehicles	536,611	1,147,963	1,060,334	256,900
Computers	55,635		6,575	
Equipment	620,789	221,200	1,086,671	1,083,860
Less accumulated depreciation	(781,535)	(671,302)	(6,994,891)	(5,387,145)
Capital assets - net	<u>703,618</u>	<u>697,861</u>	<u>6,117,399</u>	<u>11,075,487</u>
Total assets	<u>\$ 707,583</u>	<u>\$ 804,956</u>	<u>\$ 9,509,283</u>	<u>\$ 14,308,412</u>
LIABILITIES				
Current liabilities:				
Capital leases				28,431
Bonds, notes, and loans payable				470,000
Total current liabilities				<u>498,431</u>
Noncurrent liabilities:				
Capital leases				183,053
Bonds, notes, and loans payable				11,267,657
Total noncurrent liabilities				<u>11,450,710</u>
Total liabilities				<u>11,949,141</u>
NET ASSETS				
Invested in capital assets, net of related debt	703,618	697,861	6,117,399	1,984,003
Restricted				
Infrastructure			2,489,811	
Unrestricted	3,965	107,095	902,073	375,268
Total net assets	<u>707,583</u>	<u>804,956</u>	<u>9,509,283</u>	<u>2,359,271</u>
Total Net Assets & Liabilities	<u>\$ 707,583</u>	<u>\$ 804,956</u>	<u>\$ 9,509,283</u>	<u>\$ 14,308,412</u>

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

NELSON COUNTY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2009
(Continued)

Non Major Fund-Jail Canteen	Total Proprietary Funds
\$ 29,815	\$ 1,043,714
	2,489,811
	3,232,159
<u>29,815</u>	<u>6,765,684</u>
	1,529,600
	9,610,973
	15,212,127
	3,001,808
	62,210
	3,012,520
	(13,834,873)
	<u>18,594,365</u>
<u>\$ 29,815</u>	<u>\$ 25,360,049</u>
	28,431
	470,000
	<u>498,431</u>
	183,053
	<u>11,267,657</u>
	<u>11,450,710</u>
	<u>11,949,141</u>
	9,502,881
	2,489,811
29,815	1,418,216
<u>29,815</u>	<u>13,410,908</u>
<u>\$ 29,815</u>	<u>\$ 25,360,049</u>

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

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**NELSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS**

For The Year Ended June 30, 2009

NELSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2009

	EMS	Solid Waste	Landfill
Operating revenues:			
Intergovernmental revenues	\$ 147,916	\$ 51,769	\$
Charges for services	1,628,509	1,699,466	2,113,146
Other	25,663	9,500	649
Total operating revenues	<u>1,802,088</u>	<u>1,760,735</u>	<u>2,113,795</u>
Operating expenses:			
General Government			
Public Protection	1,914,772		
Recreation			
General Health & Sanitation:			
PIC Waterlines			
Landfill			1,363,407
Solid Waste		1,630,720	
Depreciation	145,028	84,100	648,880
Total operating expenses	<u>2,059,800</u>	<u>1,714,820</u>	<u>2,012,287</u>
Operating income (loss)	(257,712)	45,915	101,508
Nonoperating revenues (expenses):			
Interest and investment revenue	850	210	164,705
Interest expense			
Total nonoperating revenue (expenses)	<u>850</u>	<u>210</u>	<u>164,705</u>
Net income (loss) before contributions and transfers	(256,862)	46,125	266,213
Transfers in	275,000	75,000	925,000
Transfers out	(2,500)	(100,000)	(660,000)
Change in net assets	<u>15,638</u>	<u>21,125</u>	<u>531,213</u>
Total net assets--beginning	691,945	783,831	8,978,070
Total net assets--ending	<u>\$ 707,583</u>	<u>\$ 804,956</u>	<u>\$ 9,509,283</u>

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

NELSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2009
(Continued)

PIC	Non Major Fund - Jail Canten	Total Proprietary Funds
\$ 562,139	\$	\$ 761,824
994,476	204,268	6,639,865
3,976	80,816	120,604
<u>1,560,591</u>	<u>285,084</u>	<u>7,522,293</u>
38,158		38,158
	307,786	2,222,558
24,930		24,930
		1,363,407
		1,630,720
675,124		1,553,132
<u>738,212</u>	<u>307,786</u>	<u>6,832,905</u>
822,379	(22,702)	689,388
	406	166,171
(446,894)		(446,894)
<u>(446,894)</u>	<u>406</u>	<u>(280,723)</u>
375,485	(22,296)	408,665
595,000		1,870,000
(1,015,000)		(1,777,500)
<u>(44,515)</u>	<u>(22,296)</u>	<u>501,165</u>
2,403,786	52,111	12,909,743
<u>\$ 2,359,271</u>	<u>\$ 29,815</u>	<u>\$ 13,410,908</u>

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

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**NELSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

For The Year Ended June 30, 2009

NELSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2009

	EMS	Solid Waste	Landfill
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,654,172	\$ 1,708,966	\$ 2,113,795
Payments to suppliers	(764,997)	(1,198,908)	(808,361)
Payments to employees	(1,149,775)	(431,812)	(555,046)
Other receipts (payments)	147,916	51,769	
Net cash provided (used) by operating activities	<u>(112,684)</u>	<u>130,015</u>	<u>750,388</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating subsidies and transfers (to)/from other funds	<u>272,500</u>	<u>(25,000)</u>	<u>265,000</u>
Net cash provided by noncapital financing	<u>272,500</u>	<u>(25,000)</u>	<u>265,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(166,709)	(2,722)	(211,414)
Principal paid on capital debt			
Interest paid on capital debt			
Net cash provided (used) by capital and related financing activities	<u>(166,709)</u>	<u>(2,722)</u>	<u>(211,414)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of investments			
Interest and dividends	850	210	164,705
Investment purchases			(87,091)
Net cash provided by investing activities	<u>850</u>	<u>210</u>	<u>77,614</u>
Net increase (decrease) in cash and cash equivalents	(6,043)	102,503	881,588
Cash & Cash Equivalents-beginning of the year	10,008	4,592	20,485
Cash and Cash Equivalents-end of the year	<u>3,965</u>	<u>107,095</u>	<u>902,073</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	(257,712)	45,915	101,508
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	145,028	84,100	648,880
Net cash provided by operating activities	<u>\$ (112,684)</u>	<u>\$ 130,015</u>	<u>\$ 750,388</u>

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

NELSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2009
(Continued)

PIC	Non Major Fund - Jail Canten	Total Proprietary Funds
\$ 998,452	\$ 285,084	\$ 6,760,469
(63,088)	(307,786)	(3,143,140)
		(2,136,633)
562,139		761,824
<u>1,497,503</u>	<u>(22,702)</u>	<u>2,242,520</u>
(420,000)		92,500
<u>(420,000)</u>		<u>92,500</u>
(153,027)		(533,872)
(477,776)		(477,776)
(446,894)		(446,894)
<u>(1,077,697)</u>		<u>(1,458,542)</u>
	406	166,171
		(87,091)
	<u>406</u>	<u>79,080</u>
(194)	(22,296)	955,558
960	52,111	88,156
<u>766</u>	<u>29,815</u>	<u>1,043,714</u>
822,379	(22,702)	689,388
675,124		1,553,132
<u>\$ 1,497,503</u>	<u>\$ (22,702)</u>	<u>\$ 2,242,520</u>

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

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COUNTY OF NELSON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Nelson County Fiscal Court are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

These financial statements only include those amounts derived from cash transactions and do not include accruals or other noncash transactions. However, the government-wide statements and proprietary fund financial statements reflect depreciation of capital assets while the governmental fund financial statements reflect capital asset purchases. This reporting meets the disclosure requirements outlined in GASB Statement 34 for those assets purchased with cash, notes, or bonds. Long-term debts have been included because those transactions provided cash for capital asset purchases. Accounts payable and other accruals have not been recognized since they did not provide cash.

1.A. FINANCIAL REPORTING ENTITY

The County's financial reporting entity is composed of the following:

Primary Government:	County of Nelson
Blended Component Units:	Nelson County Public Improvements Corporation Nelson County Public Properties Corporation

In determining the financial reporting entity, the County complies with the provisions of GASB Statement No. 14 as amended by GASB Statement No. 39, *The Financial Reporting Entity*.

BLENDED COMPONENT UNITS

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the County Fiscal Court, or the component unit provides services entirely to the County. The component unit's funds are blended into those of the County by appropriate fund type to constitute the primary government presentation.

The blended component units are presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Reporting Fund</u>
Nelson County Public Properties Corp	Created to finance construction of the new Justice Center. County Judge Executive and Magistrates serve as entire governing body. Debt issued by NCPPC requires approval by Fiscal Court.	Public Improvements Fund
Nelson County Public Improvement Corp	Created to finance long-term capital projects. County Judge Executive and Magistrates serve as entire governing body. Debt issued by NCPIC requires approval by Fiscal Court.	Public Improvements Fund

1.A. FINANCIAL REPORTING ENTITY (Continued)

The component units do not issue separately audited component unit financial statements.

OTHER CONSTITUTIONAL (ELECTED) OFFICIALS

The Kentucky constitution provides for election of the following officials 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 can be obtained from their respective administrative offices.

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

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

For the year ended June 30, 2009, the County had twelve funds and has elected to classify eight of those funds as major. Major funds include General, County Road Aid, Jail, Occupational License Fee, Emergency Medical Service, Solid Waste, Landfill, and Public Improvement Corporation. Nonmajor funds include LGEA, HazMat Region 5 Response, Federal and State Grant Funds, and Jail Canteen.

The funds of the County are described below:

1.B. BASIS OF PRESENTATION (Continued)

Governmental Funds

General Fund

The General Fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Description</u>
County Road Aid	Accounts for revenues received and expenditures paid for county road construction and maintenance. Revenues are remitted by the Commonwealth of Kentucky in accordance with KRS 177.320.
Jail	Accounts for operation of the county jail. Revenues are derived from various state funding sources and transfers from the General Fund.
Local Government Economic Assistance	Accounts for the revenues distributed to Kentucky counties under KRS 42.455 and expenditures for certain county road maintenance projects.
Occupational License Fee	Accounts for the collection of occupational tax imposed under the provisions of KRS 68.197. Expenditures include administrative costs, support for certain related entities and transfers to the incorporated cities, County Road Aid, and EMS funds.
Federal and State Grant Funds	Accounts for the revenues and expenditures of various grants awarded by the US Department of Homeland Security and passed through from the Commonwealth of Kentucky.
HazMat Region 5 Response	Accounts for the revenues and expenditures of the Region 5 Hazardous Response Board. The County Treasurer deposits funds from local contributions and state and federal grants, and also remits funds to vendors for purchases approved by the regional board.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds:

1.B. BASIS OF PRESENTATION (Continued)

<u>Fund</u>	<u>Description</u>
Emergency Medical Services	Accounts for the cash receipts and disbursements in providing ambulance service to the public.
Solid Waste	Accounts for the activities of solid waste collection services outside the incorporated city boundaries for county residents.
Landfill	Accounts for the operation of the landfill, roll-off container collection services, and dead animal removal for various commercial entities and the public.
Public Improvement Corporation	Accounts for the leasing, maintenance, and debt service on various county properties leased to commercial entities, other governmental agencies, and the public.
Jail Canteen	Accounts for sales of snacks and sundries to Jail inmates.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance (ending checking account balances) as their measure of available spendable financial resources at the end of the period.
- b) The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-type, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Since we use the modified cash basis of accounting, certain assets, their related revenues, certain liabilities, their related expenses, and accrued expenses and liabilities *are not recorded* in these financial statements. Assets that are not recorded would include accounts receivable and revenue for billed or provided services not yet collected. Liabilities that are not included in these financial statements include accounts payable and expenses for goods or services received but not yet paid. If we receive or pay cash, we record the related account in these financial statements.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements consist entirely certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The County’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. All assets acquired after June 30, 2003 are valued at cost.

- Estimated historical costs were used to value the roads and bridges acquired prior to July 1, 2003.
- PVA assessment records were used to value real property acquired prior to July 1, 2003.
- Historical appropriation ledgers were reviewed for ten years prior to July 1, 2003, to identify acquisitions of vehicles and equipment in excess of \$5,000.

Accumulated depreciation as of July 1, 2003, was based on the estimated historical costs as if the assets had been depreciated from the original purchase date. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report equipment and \$10,000 to report real property and infrastructure.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an expense in the Statement of Activities and attributed to the fund which purchased the asset, with accumulated depreciation reflected in the Statement of Net Assets. The range of estimated useful lives (by type of asset) is as follows:

Buildings	15 – 25 years
Land improvements	15 – 20 years
Equipment	5 – 10 years
Vehicles	7 - 15 years
Infrastructure	5 – 45 years

1.D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. The reconciliation on the governmental operating statement explains the changes from the fund statements to the government-wide statements and capital assets purchases is one of those adjustments.

Capital assets acquired for use in proprietary fund operations are recorded in the fixed assets on the statement of net assets, the same as in the government-wide statements.

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The reconciliation on the governmental operating statement explains the changes from the fund statements to the government-wide statements and long-term debt is one of those adjustments.

Principal payments in the proprietary funds are recorded as decreases in long-term debt on the statement of net assets, the same as the government-wide statements.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the County’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The County has the following program revenues in each activity:

General Government	Property rental, state, and federal grants
Jail	Court fees, inmate housing, state grants
Law Enforcement	State and federal grants
Emergency Management	Federal grants
Public Protection	Ambulance service fees, state grants
Road Maintenance	State grants and developer contributions
Transportation Services	State grants
Landfill	Tipping fees, state grants
Solid Waste	Collection fees, state grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expense for proprietary funds from providing services and producing and delivering goods and/or services. They also include all revenue and expense not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in fund financial statements have been eliminated.

FUND FINANCIAL STATEMENTS

Interfund activity within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- 1) Interfund services—Landfill charges for tipping fees to the Solid Waste were recorded as expenses in the Solid Waste fund.
- 2) Interfund reimbursements—Repayments from funds responsible for certain expenditures to the fund that initially paid the costs are not reported as reimbursements but as adjustments to expenditures in the respective funds.
- 3) Interfund transfers—Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

1.G. USE OF ESTIMATES

The preparation of financial statement in conformity with the other comprehensive basis of accounting (OCBOA) used the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Therefore, actual results could differ from those estimates. The most significant estimate we use is the estimated useful lives in determining depreciation expense. We choose an estimated life based on a reasonable time that the asset might last. However, many of our assets are used for much longer periods.

1.H. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a cash basis of accounting in accordance with KRS 68.240 and the Uniform System of Accounts prescribed by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the County and its component units are subject to various federal, state, and local laws and contractual regulations. Management is not aware of any noncompliance as of June 30, 2009, that is considered to be material to the financial statements.

NOTE 3—CASH AND INVESTMENTS

CUSTODIAL CREDIT RISK—DEPOSITS

KRS 66.480 requires all deposits of the county to be either insured or fully collateralized by securities outlined in KRS 41.240(4). The County's deposits and investments are summarized below.

Type	Total Bank Balance
Insured Deposits	\$ 1,500,000
Uninsured, collateralized	3,660,029
Total Deposits	\$5,160,029

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned to it. As of June 30, 2009, the collateral and FDIC insurance of the County together did not equal or exceed the amount on deposit, leaving \$113,464 exposed to custodial credit risk as follows:

- Primary Government-uninsured and unsecured-\$113,464

CUSTODIAL CREDIT RISK - INVESTMENTS

During the year ended June 30, 2009, the County's investments consisted solely of certificates of deposit whose original maturity term exceeds three months. The carrying value and the fair value of the certificates of deposit totaled \$2,524,811. For purposes of the custodial credit risk, the certificates of deposit are included in the preceding table of deposits risk analysis.

NOTE 4—RECEIVABLES

Under the modified cash basis of accounting, accounts receivable are not reported on the Statement of Net Assets. The following 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. Nelson County, in turn, used bank financing and grants to fund these projects. The bank note for the Melody Lake waterlines was paid in full in April 2007. Several outstanding loans from property owners have been written off as uncollectible. The following notes with property owners remain as of June 30, 2009.

- A. 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 7% per year. Terms of the agreements stipulate monthly payments of \$29 until April 30, 2007. Records indicate that the residents are in substantial compliance with the terms of the agreements. As of June 30, 2009, the principal balance due was \$672.
- B. The county loaned \$3,446 each to seventeen 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 6% per year. Terms of the agreements stipulate monthly payments of \$29 until February 28, 2013. Records indicate that the residents are in substantial compliance with the terms of the agreements. As of June 30, 2009, the principal balance due was \$12,710.
- C. The county loaned \$2,167 each to twelve 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% per year. Terms of the agreements stipulate monthly payments of \$24 until November 30, 2007. Records indicate that the residents are in substantial compliance with the terms of the agreements. As of June 30, 2009, the principal balance due was \$797.

NOTE 5—LAND HELD FOR RESALE

In July 2004, Nelson County Fiscal Court purchased 424 acres to develop for 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. During the last two fiscal years, infrastructure additions have been made to develop the property. The county is currently researching state funding to assist with infrastructure for the Park. Water tank construction and initial sewer line installation was completed during FY 2008. In addition, Parkway Drive has been extended into the Park. As of June 30, 2009, the County had land held for resale of \$3,232,159.

In December 2007, Nelson County Fiscal Court sold 30 acres to Flowers Foods Corporation for \$450,000.

County Of Nelson
Notes To Basic Financial Statements
June 30, 2009
(Continued)

NOTE 6—CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions, for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental activities:				
Land	\$ 1,684,346	\$	\$	\$ 1,684,346
Land improvements	1,169,157			1,169,157
Buildings	12,221,957	17,388		12,239,345
Vehicles	1,816,743	135,059	(23,299)	1,928,503
Computers	55,091			55,091
Equipment	832,558	21,566		854,124
Infrastructure *	91,281,872	1,045,483		92,327,355
Totals at historical cost	109,061,724	1,219,496	(23,299)	110,257,921
Land improvements	(589,553)	(193,738)		(783,291)
Buildings	(8,929,730)	(243,121)		(9,172,851)
Vehicles	(1,427,093)	(125,003)	23,299	(1,528,797)
Computers	(42,066)	(7,467)		(49,533)
Equipment	(480,370)	(108,356)		(588,726)
Infrastructure	(68,925,550)	(3,300,502)		(72,226,052)
Total accumulated depreciation	(80,394,362)	(3,978,187)	23,299	(84,349,250)
Governmental activities capital assets, net	\$ 28,667,362	\$ (2,758,691)	\$ 0	\$ 25,908,671
Business-type activities:				
Land	1,529,600			1,529,600
Land improvements	9,485,170	125,803		9,610,973
Buildings	15,154,560	57,567		15,212,127
Vehicles	2,803,461	198,347		3,001,808
Computers	62,210			62,210
Equipment	1,814,094	114,566		1,928,660
Infrastructure	1,046,271	37,589		1,083,860
Totals at historical cost	31,895,366	533,872		32,429,238
Land improvements	(4,909,610)	(563,427)		(5,473,037)
Buildings	(4,797,238)	(430,217)		(5,227,455)
Vehicles	(993,822)	(207,128)		(1,200,950)
Computers	(58,267)	(658)		(58,925)
Equipment	(1,286,705)	(138,729)		(1,425,434)
Infrastructure	(236,098)	(212,974)		(449,072)
Less accumulated depreciation:	(12,281,740)	(1,553,133)		(13,834,873)
Business-type activities capital assets, net	\$ 19,613,626	\$ (1,019,261)	\$ 0	\$ 18,594,365

* Includes donated assets

County Of Nelson
Notes To Basic Financial Statements
June 30, 2009
(Continued)

NOTE 6—CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 118,373
Public Protection	
Jail	72,631
Law Enforcement	113,763
Building Inspection	7,469
Fire Protection	
Emergency Management	16,397
Public Advocacy	
General Health & Sanitation	23,203
Social Services	
Recreation & Culture	265,251
Road Maintenance	3,361,100
	<u>\$ 3,978,187</u>

NOTE 7—LONG-TERM DEBT

The County's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Long-term liability activities for the year ended June 30, 2009, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
GOVERNMENTAL ACTIVITIES:					
Bond & notes payable:					
2007 GO Bonds	\$ 1,040,000	\$	\$ (100,000)	\$ 940,000	\$ 100,000
Total other liabilities	\$ 1,040,000	\$ 0	\$ (100,000)	\$ 940,000	\$ 100,000

County Of Nelson
Notes To Basic Financial Statements
June 30, 2009
(Continued)

NOTE 7—LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES:					
Bonds and notes payable:					
Industrial Park	\$ 2,857,657			2,857,657	-
Justice Center-2002	9,035,000		(435,000)	8,600,000	455,000
Justice Center-2003	295,000		(15,000)	280,000	15,000
Total bonds & notes	12,187,657	-	(450,000)	11,737,657	470,000
Capital leases					
N Nelson fire truck	43,000		(14,000)	29,000	14,000
Main hangar	70,000		(5,000)	65,000	5,000
New Hope Fire Truck	126,261		(8,777)	117,484	9,431
Total Capital Leases	239,261	-	(27,777)	211,484	28,431
Business-type activities long-term liabilities	\$ 12,426,918	\$ 0	\$ (477,777)	\$ 11,949,141	\$ 498,431

General Government on the Statement of Activities in Governmental Activities includes \$38,495 in interest on long-term debt and General Government in Business-type Activities includes \$446,893 in interest on long-term debt.

GOVERNMENTAL ACTIVITIES

The notes listed above were incurred as follows:

- 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% to 3.9% with the principal and interest payments (approximately \$68,000) due semiannually in November and May until May 15, 2017.

BUSINESS-TYPE ACTIVITIES

- 1) Nelson County Public Improvements Corporation
 - a) 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. Both parties exercised the option to extend the due date on July 26, 2009 for five years. Principal is due and payable on or before July 26, 2014, with the option to extend the due date for one additional five-year period. The note bears interest at 3.37%, to be adjusted on July 26 based on the 1 year Treasury index. Principal and interest payments are only required when lots are sold in the Industrial Park.

NOTE 7—LONG-TERM DEBT (Continued)**BUSINESS-TYPE ACTIVITIES** (Continued)

- 1) Nelson County Public Improvements Corporation (Continued)
 - b) The Nelson County Public Improvements Corporation has entered into the following lease agreements:
 - i) On April 4, 2001, the Nelson County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The lease provided \$125,000 to purchase a fire truck for the Northeast Nelson Fire Department. This lease bears interest at a rate of 3.99% annually for a period of 10 years. Interest is payable monthly and principal is payable annually.
 - ii) On April 30, 2002, the Nelson County Fiscal Court entered into a lease agreement with Kentucky Association of Counties Leasing Trust (KACoLT). The lease provided \$100,000 for construction of an airport hangar. This lease has a variable interest rate that is adjusted annually. As of June 30, 2009, the interest rate was 5.63%. Interest is payable monthly and principal is paid annually.
 - iii) On October 22, 2007, the Nelson County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The lease provided \$131,900 to purchase a fire truck for the New Hope Fire Department. This lease bears interest at a rate of 4.63% annually for a period of 12 years. Interest and principal are payable monthly.
- 2) Nelson County Public Properties Corporation
 - a) On February 15, 2002, Nelson County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2002 dated March 1, 2002, in the amount of \$11,005,000. Proceeds from this bond issue provided funds for the construction of the Nelson County Justice Center. The Corporation has entered into a lease with the Administrative Office of the Courts (AOC), whereby AOC will lease from the Corporation the courthouse complex at a rental amount equal to the sum of the Use Allowance and the Operating Cost Allowance with an exclusive option to renew the lease on July 1 of each even numbered year for a period of two (2) years. AOC is not required to lease for more than two years or to obligate itself for the rental for more than a two-year period. Interest rates on these bonds range from 3.0% to 5%. Interest is paid semi-annually and principal is due in annual installments.
 - b) On October 16, 2003, Nelson County Public Properties Corporation issued additional First Mortgage Revenue Bonds Series 2002 B dated October 1, 2003, in the amount of \$375,000. Proceeds from this bond issue provided funds for the completion of the Nelson County Justice Center. The Corporation has entered into a lease with the Administrative Office of the Courts (AOC), whereby AOC will lease from the Corporation the courthouse complex at a rental amount equal to the sum of the Use Allowance and the Operating Cost Allowance with an exclusive option to renew the lease on July 1 of each even numbered year for a period of two (2) years. AOC is not required to lease for more than two years or to obligate itself for the rental for more than a two-year period. Interest rates on these bonds range from 1.05% to 4.5%. Interest is paid semi-annually and principal is due in annual installments on the same maturity schedule as the original bonds in 2002.

NOTE 7—LONG-TERM DEBT (Continued)

- 3) Nelson County Public Properties Corporation
- a) On February 15, 2002, Nelson County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2002 dated March 1, 2002, in the amount of \$11,005,000. Proceeds from this bond issue provided funds for the construction of the Nelson County Justice Center. The Corporation has entered into a lease with the Administrative Office of the Courts (AOC), whereby AOC will lease from the Corporation the courthouse complex at a rental amount equal to the sum of the Use Allowance and the Operating Cost Allowance with an exclusive option to renew the lease on July 1 of each even numbered year for a period of two (2) years. AOC is not required to lease for more than two years or to obligate itself for the rental for more than a two-year period. Interest rates on these bonds range from 3.0% to 5%. Interest is paid semi-annually and principal is due in annual installments.
- b) On October 16, 2003, Nelson County Public Properties Corporation issued additional First Mortgage Revenue Bonds Series 2002 B dated October 1, 2003, in the amount of \$375,000. Proceeds from this bond issue provided funds for the completion of the Nelson County Justice Center. The Corporation has entered into a lease with the Administrative Office of the Courts (AOC), whereby AOC will lease from the Corporation the courthouse complex at a rental amount equal to the sum of the Use Allowance and the Operating Cost Allowance with an exclusive option to renew the lease on July 1 of each even numbered year for a period of two (2) years. AOC is not required to lease for more than two years or to obligate itself for the rental for more than a two-year period. Interest rates on these bonds range from 1.05% to 4.5%. Interest is paid semi-annually and principal is due in annual installments on the same maturity schedule as the original bonds in 2002.

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term bonds, notes, and leases as of June 30, 2009, are as follows:

<u>YEAR ENDED</u> <u>JUNE 30</u>	<u>BONDS & NOTES</u>		<u>LEASES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
6/30/2010	\$ 570,000	\$ 453,343	\$ 28,431	\$ 9,583
6/30/2011	595,000	429,888	29,794	8,199
6/30/2012	620,000	405,194	15,171	7,126
6/30/2013	645,000	379,465	15,561	6,403
6/30/2014	675,000	352,573	15,968	5,664
2015 - 2019	3,560,000	1,293,488	86,500	16,580
2020 - 2023	3,155,000	402,250	20,060	1,310
Totals	\$ 9,820,000	\$ 3,716,201	\$211,485	\$ 54,865

County Of Nelson
Notes To Basic Financial Statements
June 30, 2009
(Continued)

NOTE 8—INTERFUND TRANSFERS AND BALANCES

Transfers between funds of the primary government are listed below. There were no outstanding balances between funds of the primary government as of June 30, 2009.

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 253,395	\$ (932,386)
Road	600,000	
Jail	832,386	
OLF		(848,395)
EMS	275,000	(2,500)
Solid Waste	75,000	(100,000)
Landfill	925,000	(660,000)
Haz Mat 5	2,500	
PIC	595,000	(1,015,000)
Totals	<u>\$ 3,558,281</u>	<u>\$ (3,558,281)</u>

The County transfers General property tax revenues to support Jail operations as necessary. Occupational license tax revenues are transferred as needed to support operation of the General Fund, County Road Department, and the Emergency Medical Service. Transfers from the Solid Waste and Landfill to the General Fund represent administrative cost reimbursements and reimbursement for road maintenance. Transfers to the PIC fund are allocated to costs incurred at the Industrial Park until the land is sold to cover these costs.

NOTE 9—PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The County of Nelson participates in the statewide cost-sharing multi-employer (County Employees Retirement System-CERS) defined benefit plan on behalf of all full-time county employees. Sheriff's deputies participate in the hazardous duty plan and all other full-time employees are enrolled in the non-hazardous duty plan. CERS is a defined benefit plan created by the Kentucky General Assembly. CERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits fully vest upon reaching 5 years of service and are established by state statute. Benefits of CERS members are calculated on the basis of age, final average salary, and service credit. CERS also provides survivor, disability and health care coverage. Authority to establish and amend benefits is provided by Kentucky Revised Statutes Section 61.645.

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by telephone at 502-564-4646. Additional disclosures required by the Governmental Accounting Standards Board with respect to the cost-sharing plan are provided in those financial statements.

Kentucky Revised Statutes provide statutory authority for employee and employer contributions. The statutes were revised in FY 2009 for employees who enter the retirement system beginning September 1, 2008, increasing the employee contribution 1% to cover health care expenses. Employees and the County have contributed 100% of the required contributions as required by state statute. Contribution rates for the fiscal year ended June 30, 2009, were as follows:

	<u>Employee prior to September 1, 2008</u>	<u>Employees after September 1, 2008</u>	<u>Employer</u>
Nonhazardous	5.0%	6%	13.50%
Hazardous-duty	8.0%	9%	29.50%

NOTE 9—PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)

The County contributed \$637,999 for nonhazardous employees and \$297,203 for hazardous-duty employees for the fiscal year ended June 30, 2009.

CERS also provides post retirement health care coverage to age and service retirees with 20 or more years of qualifying CERS service credit. A portion of each employer's and employee's contribution to CERS is set aside for the funding of post retirement health care. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in Governmental Accounting Standards Board Statement Number 12. KRS provides statutory authority requiring public employers to fund post retirement health care through their contributions to CERS.

NOTE 10—COMMITMENTS AND CONTINGENCIES**CLOSURE AND POSTCLOSURE CARE COST 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 postclosure care costs will be paid only near or after the date that the landfill stops accepting waste.

As of June 30, 2009, County engineers estimate that \$5,449,802 will be required for landfill closure cost and for postclosure care liability. Approximately 44% of the landfill airspace capacity had been used as of June 30, 2009. \$2,489,811 has been set-aside in a restricted reserve to accumulate funds required to finance closure and post-closure monitoring. The projected date of closure is in the year 2017. No cost related to closure or postclosure care has been incurred to date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation.

LITIGATION

The County is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the modified cash basis of accounting, the financial statements do 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.

NOTE 11—RISK MANAGEMENT

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. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 12— PRIOR PERIOD ADJUSTMENT

Beginning net assets for Governmental Funds was increased by \$7,275, because the HazMat Region 5 Response Fund was moved from an Agency type fund to a Governmental type fund. Due to an incorrect audit adjustment in the prior year audit, the beginning net assets for the Business-type activities and the fund balance of the PIC Fund were increased by \$230,682.

**NELSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

NELSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	<u>LGEA</u>	<u>Haz Mat 5 Operating</u>	<u>Federal & State Grants</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 77,276	\$ 2,524	\$ 660	\$ 80,460
Total assets	<u>77,276</u>	<u>2,524</u>	<u>660</u>	<u>80,460</u>
FUND BALANCES				
Reserved for:				
Infrastructure	77,276			77,276
Special projects		2,524	660	3,184
Total fund balances	<u>\$ 77,276</u>	<u>\$ 2,524</u>	<u>\$ 660</u>	<u>\$ 80,460</u>

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

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NELSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

NELSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	LGEA	Haz Mat 5 Operating	Federal & State Grants	Total Governmental Funds
REVENUES:				
Intergovernmental revenues	\$ 155,471	\$ 10,000	\$	\$ 165,471
Interest	3,057			3,057
Other		50		50
Total revenues	<u>158,528</u>	<u>10,050</u>		<u>168,578</u>
EXPENDITURES:				
Current operating:				
Public Protection		17,301		17,301
Road Maintenance	111,573			111,573
Total expenditures	<u>111,573</u>	<u>17,301</u>		<u>128,874</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	<u>46,955</u>	<u>(7,251)</u>		<u>39,704</u>
Other Financing Sources (Uses):				
Transfers in		2,500		2,500
Fund balances--beginning (restated)	30,321	7,275	660	38,256
Fund balances--ending	<u>\$ 77,276</u>	<u>\$ 2,524</u>	<u>\$ 660</u>	<u>\$ 80,460</u>

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

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NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES – OTHER FUNDS
Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
LGEA FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenue	\$ 150,400	\$ 150,400	\$ 155,471	\$ 5,071
Interest	1,200	1,200	3,057	1,857
Total Revenues	<u>151,600</u>	<u>151,600</u>	<u>158,528</u>	<u>6,928</u>
Expenditures				
Road Maintenance	165,000	165,000	111,573	53,427
Contingencies	42,639	42,639		42,639
Total Expenditures	<u>207,639</u>	<u>207,639</u>	<u>111,573</u>	<u>96,066</u>
Net Changes In Fund Balance	(56,039)	(56,039)	46,955	102,994
Fund Balance, July 1, 2008	<u>56,039</u>	<u>56,039</u>	<u>30,321</u>	<u>(25,718)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 77,276</u>	<u>\$ 77,276</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
HAZMAT REGION 5 FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenues	\$	\$ 10,000	\$ 10,000	\$
Other			50	50
Total Revenues		10,000	10,050	50
Expenditures				
Public Protection	8,013	20,513	17,301	3,212
Total Expenditures	8,013	20,513	17,301	3,212
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(8,013)	(10,513)	(7,251)	3,262
Other Financing Sources (Uses):				
Transfers In		2,500	2,500	
Total Other Financing Sources (Uses)		2,500	2,500	
Net Changes In Fund Balance	(8,013)	(8,013)	(4,751)	3,262
Fund Balance, July 1, 2008	8,013	8,013	7,275	(738)
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,524</u>	<u>\$ 2,524</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
EMS FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenues	\$ 205,200	\$ 205,200	\$ 147,916	\$ (57,284)
Charges for Services	1,722,500	1,722,500	1,628,509	(93,991)
Other		26,745	25,663	(1,082)
Interest	400	400	850	450
Total Revenues	<u>1,928,100</u>	<u>1,954,845</u>	<u>1,802,938</u>	<u>(151,907)</u>
Expenditures				
Public Protection	1,896,100	1,918,225	1,811,390	106,835
Capital Projects	307,000	329,645	270,092	59,553
Contingencies	51,744	31,219		31,219
Total Expenditures	<u>2,254,844</u>	<u>2,279,089</u>	<u>2,081,482</u>	<u>197,607</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(326,744)	(324,244)	(278,544)	45,700
Other Financing Sources (Uses):				
Transfers In	275,000	275,000	275,000	
Transfers Out		(2,500)	(2,500)	
Total Other Financing Sources (Uses)	<u>275,000</u>	<u>272,500</u>	<u>272,500</u>	
Net Changes In Fund Balance	(51,744)	(51,744)	(6,044)	45,700
Fund Balance, July 1, 2008	<u>51,744</u>	<u>51,744</u>	<u>10,009</u>	<u>(41,735)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,965</u>	<u>\$ 3,965</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental revenues	\$ 60,000	\$ 60,000	\$ 51,769	\$ (8,231)
Charges for Services	1,693,700	1,693,700	1,699,466	5,766
Other	5,000	5,000	9,500	4,500
Interest	4,800	4,800	210	(4,590)
Total Revenues	<u>1,763,500</u>	<u>1,763,500</u>	<u>1,760,945</u>	<u>(2,555)</u>
Expenditures				
General Health & Sanitation	1,618,650	1,662,450	1,630,720	31,730
Capital Projects	20,000	20,000	2,722	17,278
Contingencies	69,980	26,180		26,180
Total Expenditures	<u>1,708,630</u>	<u>1,708,630</u>	<u>1,633,442</u>	<u>75,188</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	54,870	54,870	127,503	72,633
Other Financing Sources (Uses):				
Transfers In			75,000	75,000
Transfers out	(100,000)	(100,000)	(100,000)	
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(25,000)</u>	<u>75,000</u>
Net Changes In Fund Balance	(45,130)	(45,130)	102,503	147,633
Fund Balance, July 1, 2008	<u>45,130</u>	<u>45,130</u>	<u>4,592</u>	<u>(40,538)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,095</u>	<u>\$ 107,095</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
LANDFILL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Charges for Services	\$ 2,088,300	\$ 2,088,300	\$ 2,113,146	\$ 24,846
Other	1,000	1,000	649	(351)
Interest	82,200	82,200	164,705	82,505
Total Revenues	<u>2,171,500</u>	<u>2,171,500</u>	<u>2,278,500</u>	<u>107,000</u>
Expenditures				
General Health & Sanitation	1,351,480	1,434,380	1,363,407	70,973
Capital Projects	125,000	233,000	211,414	21,586
Closure reserves	857,887	666,987	87,091	579,896
Total Expenditures	<u>2,334,367</u>	<u>2,334,367</u>	<u>1,661,912</u>	<u>672,455</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(162,867)	(162,867)	616,588	779,455
Other Financing Sources (Uses):				
Transfers In	100,000	100,000	925,000	825,000
Transfers Out	(200,000)	(200,000)	(660,000)	(460,000)
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>265,000</u>	<u>365,000</u>
Net Changes In Fund Balance	(262,867)	(262,867)	881,588	1,144,455
Fund Balance, July 1, 2008	<u>262,867</u>	<u>262,867</u>	<u>20,485</u>	<u>(242,382)</u>
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 902,073</u>	<u>\$ 902,073</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE – OTHER FUNDS
PIC FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenues	\$ 1,000,000	\$ 1,550,000	\$ 562,139	\$ (987,861)
Charges for Services	1,015,356	1,017,156	994,476	(22,680)
Other	3,000	3,000	3,976	976
Total Revenues	<u>2,018,356</u>	<u>2,570,156</u>	<u>1,560,591</u>	<u>(1,009,565)</u>
Expenditures				
General Government	40,500	42,220	38,158	4,062
General Health	1,000,000	1,025,180	24,930	1,000,250
Recreation & culture				
Debt Service:				
Principal	478,082	478,082	477,776	306
Interest	449,254	451,054	446,894	4,160
Capital Projects		156,080	153,027	3,053
Contingencies	185,520	552,540		552,540
Total Expenditures	<u>2,153,356</u>	<u>2,705,156</u>	<u>1,140,785</u>	<u>1,564,371</u>
Excess (deficiency) of revenues over expenditures before other financing sources and uses	(135,000)	(135,000)	419,806	554,806
Other Financing Sources (Uses):				
Transfers in	135,000	135,000	595,000	460,000
Transfers out			(1,015,000)	(1,015,000)
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>135,000</u>	<u>(420,000)</u>	<u>(555,000)</u>
Net Changes In Fund Balance			(194)	(194)
Fund Balance, July 1, 2008			960	960
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 766</u>	<u>\$ 766</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
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 Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Nelson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 5, 2010. Nelson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nelson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nelson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nelson County's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Nelson County's financial statements are 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.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

March 5, 2010

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

NELSON COUNTY FISCAL COURT

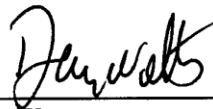
**For The Fiscal Year Ended
June 30, 2009**

Appendix A

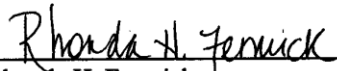
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
NELSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

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



Dean Watts
County Judge/Executive



Rhonda H. Fenwick
County Treasurer

