

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

**For The Fiscal Year Ended
June 30, 2011**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administrative Cabinet

Honorable Dean Watts, Nelson County Judge/Executive

Members of the Nelson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Nelson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Nelson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE NELSON COUNTY FISCAL COURT

June 30, 2011

Tichenor & Associates, LLP has completed the audit of the Nelson County Fiscal Court for fiscal year ended June 30, 2011.

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 \$35,095,929 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,807,551 in its governmental activities as of June 30, 2011, with total net assets for governmental activities of \$22,516,379. In its business-type activities, total net cash and cash equivalents were \$1,163,906 with total net assets of \$12,579,550. The fiscal court had total debt principal as of June 30, 2011, of \$11,901,382 with \$150,127 due within the next year.

Deposits:

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

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
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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, 2011, 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, 2011, 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 county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

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
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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 January 26, 2012, 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,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

January 26, 2012

NELSON COUNTY OFFICIALS**For The Year Ended June 30, 2011****Fiscal Court Members:**

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

Other Elected Officials:

John Kelley, Jr.	County Attorney
Elaine Filiatreau	County Clerk
Stephen Campbell	Sheriff
Dorcas Figg	Jailer
Barbara Tichenor	Property Valuation Administrator
Rayfield Houghlin	Coroner

Appointed Personnel:

Rhonda Fenwick, CPA	County Treasurer
Teresa Smith	Occupational Tax Administrator
Greta Cecil	Administrative Secretary
Jim Lemieux	County Engineer
Kroger Phillips	Assistant Road Supervisor
Brad Spalding	Landfill Manager
Joe Prewitt	EMS Director
Wanda Ward	EMS Fiscal Officer
Joe Osborne	Emergency Management Administrator

COUNTY OF NELSON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

As financial management of the Nelson County Fiscal Court, we offer readers of these government-wide financial statements this narrative overview and analysis of the financial activities of the Fiscal Court for the year ended June 30, 2011. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant financial issues and activities and to identify any significant changes in our financial position. We encourage readers to consider the information presented here in conjunction with government-wide financial statements as a whole.

Financial Highlights

- The County's overall net assets declined 6.5% or \$2.44 million as the depreciation of capital assets exceeds the County's investment in new assets
- Overall, total revenues increased 1.8%, and expenses increased 4.4%;
- Occupational license revenues were essentially the same as the prior year (increase 0.1%), positive news given the continued economic recession, layoffs, and local unemployment rates reaching as high as 14.2%;
- Grant funding increased 6.3% over the prior year, including additional road funding totaling \$404,000.
- Property tax revenues increased 1.8% overall, much less than prior years.
- Current assets increased 4.4%; long-term debt decreased 3.2%.
- The County refinanced its 2002 Series Bond Obligations in May 2011 to assist the State of Kentucky in lowering interest rates on long term debt.
- The County began construction of a new Senior Citizen Center at the Nelson County Plaza. The project is expected to open Spring 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basis financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Nelson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Nelson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Nelson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Government-Wide Financial Statements (continued)

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

The government-wide financial statements outline functions of the County that are principally supported by taxes, license fees and permits, and grant funding for roads and jail inmates (*governmental activities*) and business-type activities which rely on charges to users to support those activities. The governmental activities of the County include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, and transportation services. The business type activities of the County include emergency medical services, solid waste collections, landfill operations, rental property management, and the jail canteen.

This 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.

Fund Financial Statements

A *fund* is a grouping of related accounts this is used to maintain control over resources that have been segregated for specific activities or objectives. Nelson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds

The fund financial statements 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 statement 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.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2011
 (Continued)

Government-Wide Financial Analysis

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Nelson County, assets exceeded liabilities by \$35,095,929 as of June 30, 2011.

Table 1
Net Assets of Governmental and Business-Type Activities
June 30, 2011

	Governmental Activities	2011 Business-type Activities	Total Primary Government	2010 Total Primary Government
Current and other assets	\$ 1,880,299	\$ 7,839,079	\$ 9,719,378	\$ 9,085,597
Capital assets	21,443,828	15,906,852	37,350,680	40,828,250
Total assets	<u>23,324,127</u>	<u>23,745,931</u>	<u>47,070,058</u>	<u>49,913,847</u>
Long-term debt outstanding	735,000	11,166,382	11,901,382	12,290,969
Other liabilities	72,748		72,748	85,500
Total liabilities	<u>807,748</u>	<u>11,166,382</u>	<u>11,974,130</u>	<u>12,376,469</u>
Net assets:				
Invested in capital assets, net of related debt	20,708,828	7,833,128	28,541,956	31,394,938
Restricted		3,438,696	3,438,696	3,713,540
Unrestricted	1,807,551	1,307,726	3,115,277	2,428,900
Total Net Assets	<u>\$22,516,379</u>	<u>\$ 12,579,550</u>	<u>\$ 35,095,929</u>	<u>\$ 37,537,378</u>

The largest portion of the County's net assets reflects its investment in infrastructure and capital assets (land, roads, bridges, buildings, vehicles, and equipment), less any related debt used to acquire those assets that are outstanding. The County uses capital assets to provide services to its citizens and these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate this debt. Investment in capital assets net of related debt net assets comprise 91.97% of total governmental net assets, and 62.26% of business-type net assets.

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2011
 (Continued)

Changes in Net Assets

Governmental Activities: Nelson County's net assets decreased 9% (\$2,166,847) in fiscal year 2011. Key elements of the net asset change include:

1. Depreciation of capital assets surpassed investment in new assets by \$2,181,000;
2. Total cash and other current assets decreased \$104,000;
3. Total debt and other liabilities decreased \$118,000;
4. Revenues were \$10,810,012, and expenditures totaled \$12,750,644.

Business-type Activities: Nelson County's net assets decreased 2% (\$274,602) during fiscal year 2011. Key elements of these changes include:

1. Depreciation of capital assets surpassed investment in new assets by \$1,296,700;
2. Total cash and other current assets increased \$502,500;
3. Total debt and liabilities decreased \$284,600;

Table 2 - Operating Results for the Year Ended June 30, 2011

	2011		2010	
	Governmental Activities	Business-type Activities	Total Primary Government	Total Primary Government
Revenues:				
Charges for services	\$ 752,812	\$ 6,799,892	\$ 7,552,704	\$ 7,215,664
Grants and Contributions	3,437,426	125,116	3,562,542	3,536,500
Property taxes	4,638,908		4,638,908	4,555,198
Transient room tax	148,768		148,768	146,600
License fees and permits	1,437,599		1,437,599	1,508,710
Interest earnings	101,011	44,790	145,801	139,088
Gain/Loss on transfer of assets		(32,937)	(32,937)	61,000
Miscellaneous	293,488	138,100	431,588	405,731
Total Revenues	10,810,012	7,074,961	17,884,973	17,568,491
Program Expenses:				
General government	2,781,693	1,131,658	3,913,351	3,935,904
Public Protection	3,039,505	2,425,303	5,464,808	5,169,056
Recreation	693,550		693,550	625,423
Road maintenance	5,163,596		5,163,596	4,746,470
General health & sanitation	725,511	3,880,170	4,605,681	4,530,823
Social services	126,021		126,021	114,667
Transportation	220,768		220,768	206,601
Total Expenses	12,750,644	7,437,131	20,187,775	19,328,944
Excess (deficiency) before transfers	(1,940,632)	(362,170)	(2,302,802)	(1,760,453)
Transfers of assets	(226,215)	87,568	(138,647)	
Increase (decrease) in net assets	\$ (2,166,847)	\$ (274,602)	\$ (2,441,449)	\$ (1,760,453)

Nelson County, Kentucky
Management Discussion and Analysis
For The Year Ended June 30, 2011
(Continued)

Financial Analysis of the County's Funds

The County has ten funds that are maintained separately to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds include General Fund, Road, Jail, Occupational License, and Local Government Economic Development (LGEA). The Jail fund and Occupational License fund are now rolled into the General fund as noted in Note 13 in the Notes to the Basic Financial Statements - Change in Accounting Principles, but are presented in this discussion and analysis as separate funds. Business-type funds include Emergency Medical Services (EMS), Solid Waste, Landfill, Public Improvement Corporation (PIC), and the Jail Canteen.

Governmental Funds

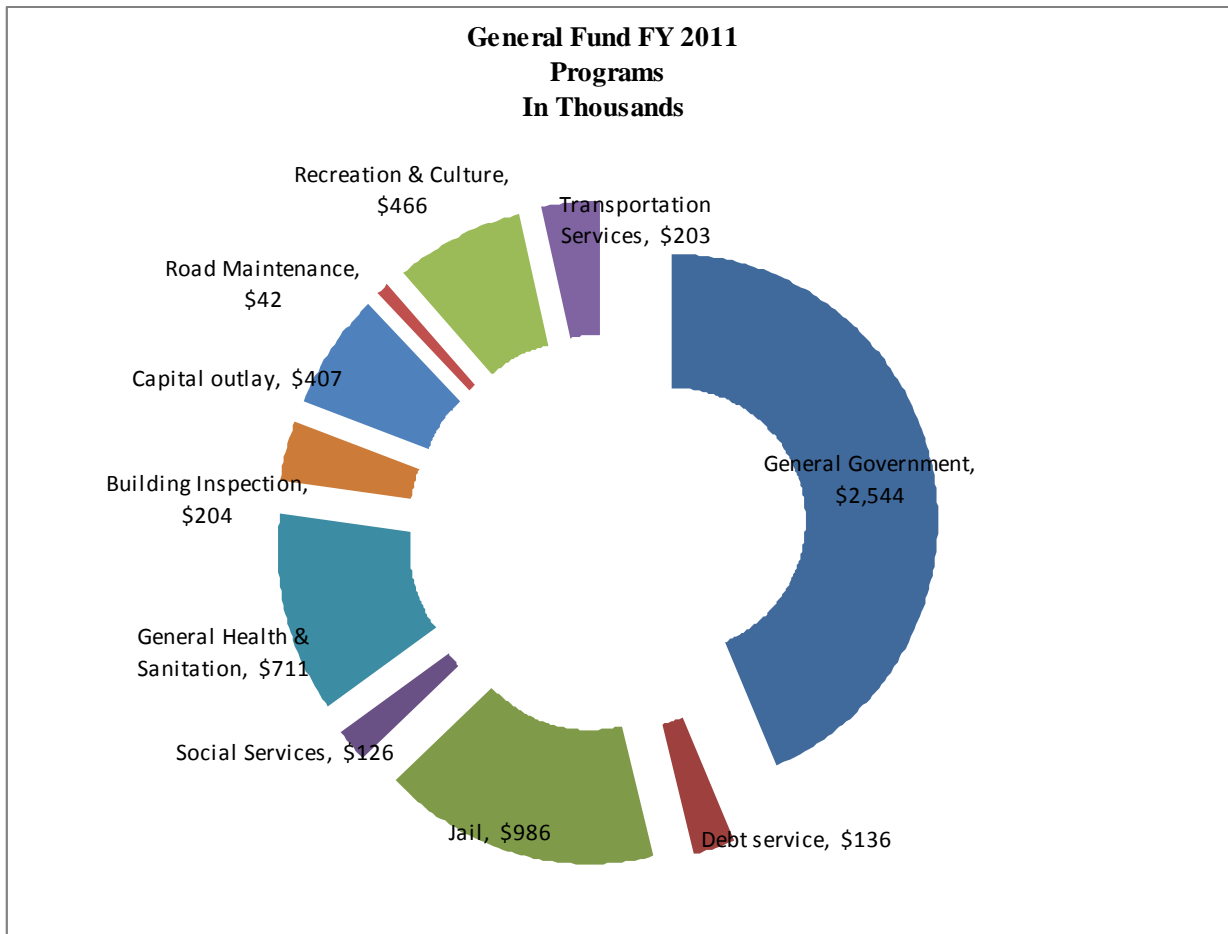
The General Fund is the chief operating fund of the County. This fund accounts for all county government administrative agencies and fees, building maintenance, public protection, code enforcement, emergency management, animal control, social services, recreation, road utilities, and transportation. Real and personal property taxes comprise 71.7% of all general fund revenues, state grants and reimbursements from Nelson County's incorporated cities (for Nelson County Planning and Zoning administrative fees) generated 14.2% of general fund revenues. The remaining revenues were generated by licenses and permits (5.3%), rental income from the Justice Center and Civic Center (5%), and other revenues (3.8%).

The chart below outlines the range of activities for fiscal year 2011. Debt service is still a small component of the total costs in the General Fund, with only 2% expended during FY 2011. The subsidy to the Jail represents 17% of the General Fund outlays which funds 60% 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 and Analysis
 For The Year Ended June 30, 2011
 (Continued)

Financial Analysis of the County's Funds (continued)

Governmental Funds (continued)



The Road Fund is the fund related to the construction and maintenance of all county roads and bridges. This fund collected \$2,256,135 in revenues, mostly due to state grant funding. The road fund also received \$500,000 in transfers from the Occupational License Fund, \$50,000 from Solid Waste Fund, and carried over a prior year surplus of \$283,962. Expenditures in the road fund totaled \$3,006,122. Of this amount, \$15,573 were expenses incurred during road construction at Thomas Nelson High School (reimbursed by the Nelson County Board of Education) and \$111,216 for blacktop costs on streets owned by the City of Bardstown (reimbursed by state grants). Additionally, \$272,549 was expended for the widening project at US 150 and Parkway Drive which will be reimbursed via state grant funding. The Road fund had a yearend balance of \$83,975.

The Jail fund is used to account for the operation of the County's detention center. The costs of operating the Jail decreased \$40,900 (3%) compared to FY 2010 due to lower food costs, canteen inventory purchases, fees related to juvenile housing and inmate medical expenses. These saving resulted in a decreased subsidy from the General Fund of \$34,700, which is a 4% decrease from FY 2010.

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2011
 (Continued)

Financial Analysis of the County's Funds (continued)

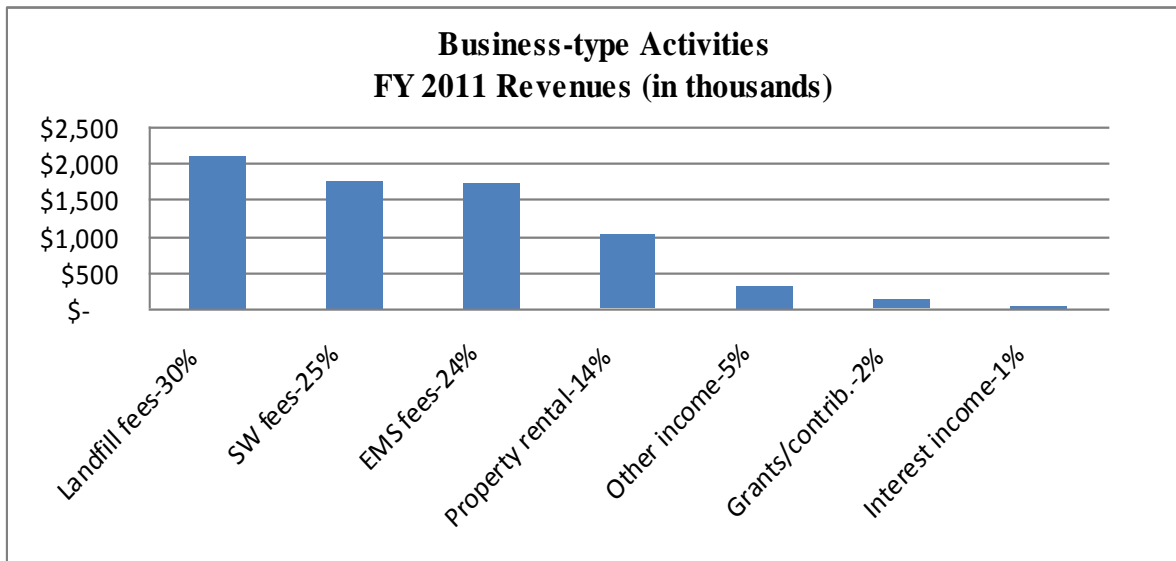
Governmental Funds (continued)

The Occupational License Fund (OLF) accounts for all revenues received from employee payroll withholdings and business license fees. OLF revenues were similar to FY 2010; expenses increased 16% (\$15,395), due to sharing costs with the State of Kentucky to install a traffic light at Spencer Mattingly Lane and Highway 245. The OLF transferred \$844,000 to the Road, EMS, and General Funds during the year. The year end fund balance totaled \$285,326.

The Local Government Economic Development Fund is used to account for monies received for mineral severance and coal impact fees. Expenditures of these funds are restricted by statute, and the County uses all funds for road maintenance, including rock and asphalt patching. This fund had a yearend balance of \$197,499.

Business-type Funds

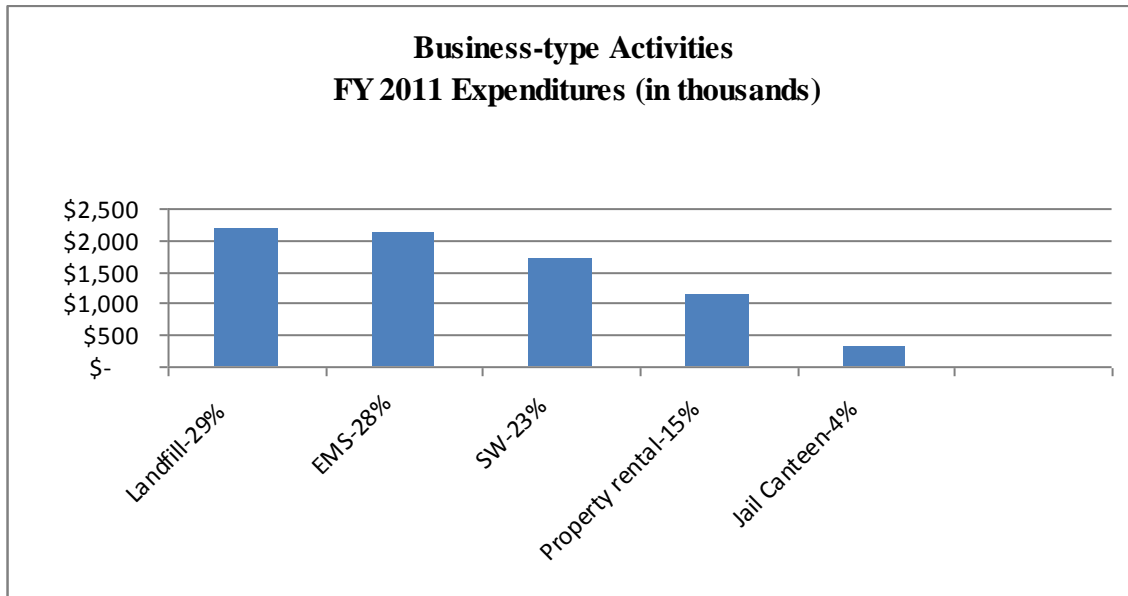
Charges for services are the largest resource in the business-type activities. In FY 2011, the Landfill generated 30% of the total proprietary revenues; solid waste collection 25%; EMS 24%; and property management represented 14%.



Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2011
 (Continued)

Financial Analysis of the County's Funds (continued)

Business-type Funds (continued)



The program analysis, however, indicates that Landfill and EMS costs are the largest components (57%) and explains the \$335,000 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.

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.

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2011
 (Continued)

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 for all funds in the financial report.

Budget amendments during FY 2011 provided additional funds for the following projects:

1. Grant funding for the Sheriff's Department;
2. Recreation funding, namely Stephen Foster Drama Association and Kentucky Railway Museum;
3. Grant funding for EMS mobile data equipment, in conjunction with local law enforcement and fire departments;
4. Grant funding for open dump and hazardous waste disposal through the Landfill;
5. Increased costs for snow removal and fuel.

Capital Asset and Debt Administration

Capital Assets: At June 30, 2011, the County had over \$37 million invested in capital assets, net of depreciation. Almost 81% of the governmental assets and 51% 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.

Nelson County's Capital Assets
 (net of depreciation)

	Governmental Activities	Business-Type Activities	Total	FY 2010
Land	\$ 1,684,346	\$ 1,304,600	\$ 2,988,946	\$ 2,988,946
Land improvements	221,065	3,004,298	3,225,363	3,916,400
Buildings	3,020,978	9,133,996	12,154,974	12,530,058
Vehicles	403,818	1,834,477	2,238,295	2,312,203
Computers	28,464	16,263	44,727	3,339
Equipment	323,886	335,311	659,197	767,779
Infrastructure	15,761,271	277,907	16,039,178	18,309,525
Total	\$ 21,443,828	\$ 15,906,852	\$37,350,680	\$ 40,828,250

Capital Asset and Debt Administration (continued)

Major capital additions during FY 2011 include:

- 1) HVAC replacement at Old Courthouse (\$43,305);
- 2) Lighting projects and walking trails at Dean Watts Park (\$28,642);
- 3) New canopy and bleachers at Nelson County Fairgrounds (\$129,328);
- 4) Four vehicles for the Sheriff's Department (\$111,010);
- 5) Snow plows and bush hog mowers for Road Department (\$28,242);
- 6) 2011 Garbage Truck for Solid Waste (\$148,792);
- 7) Road projects included improvements to Fogle Road, Simon Greenwell Lane, American Drive, Bear Creek Way, Keith Knob, Whitesides Road, Huntington Hills, Plum Run Road, Ritchie Lane, Nazareth Drive, Russell Road, Willie Ballard Lane, and South Stillwell Road.
- 8) PIC finalized the construction and improvements at Parkway Drive in the Industrial Park (\$79,891) to facilitate development of that property.

Long-Term Debt: At June 30, 2011, the County had \$11.9 million in long-term debt compared to \$12.3 million at June 30, 2010. Nelson County retired \$624,587 in debt with annual payments on notes, leases, and bonds. One lease agreement with KACO (Northeast Nelson Fire Truck) was paid in full during FY 2011. There are no scheduled debt retirements for FY 2012.

On May 10, 2011, the Nelson County Public Properties Corporation refunded the Series 2002 bonds (\$7,670,000 plus interest) and entered into a new bond issue, *Nelson County Public Properties Corporation First Mortgage Refunding Revenue Bonds (Court Facility Project), Series 2011*. The issue amount of the bonds was \$7,905,000. The County received interest income from the Kentucky Administrative Office of the Courts (AOC) totaling \$88,674 as an incentive to refinance the Series 2002 bond issue. The AOC pays all debt related to this bond issue, and refunded 25% of the total interest savings to the County. These funds are included in the County's assigned net assets for upcoming capital maintenance costs at the Justice Center location.

Nelson County's Outstanding Debt June 30, 2011

Category	Governmental Activities	Business- Type Activities	FY 2011 Total	FY 2010 Total
Bonds	\$ 735,000	\$ 8,155,000	\$ 8,890,000	\$ 9,250,000
Notes		2,857,657	2,857,657	2,857,657
Capital Leases		153,725	153,725	183,312
Totals	<u>\$ 735,000</u>	<u>\$ 11,166,382</u>	<u>\$ 11,901,382</u>	<u>\$ 12,290,969</u>

Nelson County's outstanding debt is only 32% 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 as follows:

- Capital leases for a New Hope fire truck, and an airport hangar at Samuels Field. Lease revenues provide 100% of the debt service requirements.
- Justice Center Bond issues are funded 100% with a lease to AOC/Commonwealth of Kentucky.

Nelson County, Kentucky
Management Discussion and Analysis
For The Year Ended June 30, 2011
(Continued)

Other Economic Matters

The County continues to be challenged with bringing in new and varied businesses while also looking for new ways to utilize and expand current industries. 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. Infrastructure improvements at the Nelson Industrial Park are completed in hopes of selling more lots to new industries that will expand the employment opportunities in Nelson County and the surrounding counties.

Nelson County Fiscal Court adopted the 2012 budget with continued services at previous levels. A new senior center complex, with federal grant funding of \$500,000, is expected to be completed in April 2012. The EMS service is expected to purchase two additional emergency vehicles; the jail has received grant funding to install a camera security system throughout the detention center.

The County continues to monitor rising costs for asphalt, snow removal, fuel, and insurance. The State of Kentucky continues to make cuts in all departments, which ultimately affect the county as well.

The unemployment rate in Nelson County in October 2011 was 9.1%, which is 1.3% lower than the 10.4% rate from September 2010. This compares to the State's rate of 9.6% and the national rate of 9.0% for the same period.

Requests for information

This financial report is designed to provide a general overview of Nelson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Nelson County Treasurer, PO Box 578, Bardstown, KY 40004.

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

June 30, 2011

NELSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,842,971	\$ 1,163,906	\$ 3,006,877
Investments	37,328	3,438,696	3,476,024
Land Held for Resale		3,001,477	3,001,477
Deferred Bond Charges		235,000	235,000
Capital Assets, Net	21,443,828	15,906,852	37,350,680
Total Assets	<u>23,324,127</u>	<u>23,745,931</u>	<u>47,070,058</u>
LIABILITIES			
Deposits	72,748		72,748
Long-Term Liabilities:			
Due within One Year	110,000	40,127	150,127
Due in More than One Year	625,000	11,126,255	11,751,255
Total Liabilities	<u>807,748</u>	<u>11,166,382</u>	<u>11,974,130</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	20,708,828	7,833,128	28,541,956
Restricted for:			
Infrastructure		3,438,696	3,438,696
Unrestricted	1,807,551	1,307,726	3,115,277
Total Net Assets	<u>\$ 22,516,379</u>	<u>\$ 12,579,550</u>	<u>\$ 35,095,929</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, 2011

NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ (2,781,693)	\$ 313,993	\$ 810,251	\$
Public Protection				
Jail	(1,481,158)	416,084	73,595	
Law Enforcement	(984,082)		136,649	
Building Inspection	(207,718)			
Fire Protection	(37,610)			
Emergency Management	(324,252)			
Public Advocacy	(4,685)			
General Health & Sanitation	(725,511)	8,515		
Social Services	(126,021)			
Recreation & Culture	(693,550)	14,220		
Road Maintenance	(5,163,596)		2,416,931	
Transportation Services	(220,768)			
Total Governmental Activities	(12,750,644)	752,812	3,437,426	
Business-type Activities:				
General Government	(1,131,658)	1,007,374		
Public Protection:				
Jail Canteen	(319,664)	213,547		
EMS	(2,105,639)	1,714,514		36,792
General Health & Sanitation:				
Landfill	(2,171,926)	2,097,384	30,745	
Solid Waste	(1,708,244)	1,767,073	57,579	
Total Business-type Activities	(7,437,131)	6,799,892	88,324	36,792
Total Primary Government	\$ (20,187,775)	\$ 7,552,704	\$ 3,525,750	\$ 36,792

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Transient Room Tax

License Fees and Permits

Interest and Investment Earnings

Gain (Loss) on Sale of Assets

Other Income

Cash and Capital Asset Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

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, 2011
(Continued)

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,657,449)	\$	\$ (1,657,449)
(991,479)		(991,479)
(847,433)		(847,433)
(207,718)		(207,718)
(37,610)		(37,610)
(324,252)		(324,252)
(4,685)		(4,685)
(716,996)		(716,996)
(126,021)		(126,021)
(679,330)		(679,330)
(2,746,665)		(2,746,665)
<u>(220,768)</u>		<u>(220,768)</u>
(8,560,406)		(8,560,406)
	(124,284)	(124,284)
	(106,117)	(106,117)
	(354,333)	(354,333)
	(43,797)	(43,797)
	116,408	116,408
	<u>(512,123)</u>	<u>(512,123)</u>
<u>(8,560,406)</u>	<u>(512,123)</u>	<u>(9,072,529)</u>
4,638,908		4,638,908
148,768		148,768
1,437,599		1,437,599
101,011	44,790	145,801
	(32,937)	(32,937)
293,488	138,100	431,588
<u>(226,215)</u>	<u>87,568</u>	<u>(138,647)</u>
<u>6,393,559</u>	<u>237,521</u>	<u>6,631,080</u>
<u>(2,166,847)</u>	<u>(274,602)</u>	<u>(2,441,449)</u>
<u>24,683,226</u>	<u>12,854,152</u>	<u>37,537,378</u>
<u>\$ 22,516,379</u>	<u>\$ 12,579,550</u>	<u>\$ 35,095,929</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, 2011

NELSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	General	County Road Aid	LGEA	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,566,325	\$ 79,147	\$ 197,499	\$ 1,842,971
Investments		37,328		37,328
Total Assets	<u>1,566,325</u>	<u>116,475</u>	<u>197,499</u>	<u>1,880,299</u>
LIABILITIES				
Payroll Imprest	2,248			2,248
Road Bonds		32,500		32,500
Encroachment Permits	38,000			38,000
Total Liabilities	<u>40,248</u>	<u>32,500</u>		<u>72,748</u>
FUND BALANCES				
Committed To:				
Roads	156,929			156,929
Public Protection	128,397			128,397
Assigned To:				
Roads		83,975	197,499	281,474
Special Projects	343,674			343,674
Unassigned	897,077			897,077
Total Fund Balances	<u>1,526,077</u>	<u>83,975</u>	<u>197,499</u>	<u>1,807,551</u>
Total Liabilities and Fund Balances	<u>\$ 1,566,325</u>	<u>\$ 116,475</u>	<u>\$ 197,499</u>	<u>\$ 1,880,299</u>

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

Total Fund Balance	\$ 1,807,551
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of depreciation) used in governmental activities	21,443,828
Long-term debt due and payable	<u>(735,000)</u>
Net Assets of governmental activities	<u>\$ 22,516,379</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, 2011

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

For The Year Ended June 30, 2011

	<u>General</u>	<u>County Road Aid</u>	<u>LGEA</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 4,787,676	\$	\$	\$ 4,787,676
Business Licenses	1,437,599			1,437,599
Intergovernmental Revenues	1,020,495	2,225,403	191,528	3,437,426
Charges For Services	752,812			752,812
Other	265,822	27,666		293,488
Interest	96,860	3,066	1,085	101,011
Total Revenues	<u>8,361,264</u>	<u>2,256,135</u>	<u>192,613</u>	<u>10,810,012</u>
EXPENDITURES:				
Current Operating:				
General Government	2,640,349			2,640,349
Public Protection:				
Jail	1,453,438			1,453,438
Law Enforcement	865,589			865,589
Building Inspection	203,794			203,794
Fire Protection	37,610			37,610
Emergency Management	319,379			319,379
Public Advocacy	4,685			4,685
General Health & Sanitation	711,229			711,229
Social Services	126,021			126,021
Recreation & Culture	465,880			465,880
Road Maintenance	41,818	1,842,257	127,074	2,011,149
Transportation Services	220,768			220,768
Capital Projects	441,580	1,037,076		1,478,656
Debt Service:				
Principal	105,000			105,000
Interest	31,220			31,220
Total Expenditures	<u>7,668,360</u>	<u>2,879,333</u>	<u>127,074</u>	<u>10,674,767</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>692,904</u>	<u>(623,198)</u>	<u>65,539</u>	<u>135,245</u>
Other Financing Sources (Uses):				
Transfers Out	(935,000)			(935,000)
Transfers In	250,000	550,000		800,000
Contribution of Capital Assets	35,574	(126,789)		(91,215)
Total Transfers And Other Sources	<u>(649,426)</u>	<u>423,211</u>		<u>(226,215)</u>
Net Change in Fund Balance	43,478	(199,987)	65,539	(90,970)
Fund Balances - Beginning	1,482,599	283,962	131,960	1,898,521
Fund balances - Ending	<u>\$ 1,526,077</u>	<u>\$ 83,975</u>	<u>\$ 197,499</u>	<u>\$ 1,807,551</u>

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

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**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, 2011

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	(90,970)
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Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,478,656
Depreciation Expense		(3,659,533)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Bond Principal Payments		105,000
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Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(2,166,847)</u>
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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, 2011

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, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	\$ 4,662,300	\$ 4,662,300	\$ 4,787,676	\$ 125,376
Licenses & Permits	444,400	444,400	356,691	(87,709)
Intergovernmental Revenues	1,189,900	1,441,050	946,900	(494,150)
Charges for Services	300,800	300,800	336,728	35,928
Other	37,500	120,950	153,534	32,584
Interest	22,200	22,200	96,586	74,386
Total Revenues	<u>6,657,100</u>	<u>6,991,700</u>	<u>6,678,115</u>	<u>(313,585)</u>
Expenditures				
General Government	2,669,900	2,670,225	2,544,129	126,096
Public Protection				
Law Enforcement	806,400	873,650	865,589	8,061
Building Inspection	200,800	205,450	203,794	1,656
Fire Protection	39,000	37,625	37,610	15
Emergency Management	300,400	321,950	319,379	2,571
Public Advocacy	4,700	4,700	4,685	15
General Health & Sanitation	710,300	718,400	711,229	7,171
Social Services	133,750	135,750	126,021	9,729
Recreation & Culture	392,600	505,300	465,880	39,420
Road Maintenance	43,000	43,000	41,818	1,182
Transportation Services	208,400	208,400	203,016	5,384
Debt Service:				
Principal	105,000	105,000	105,000	
Interest	31,300	31,300	31,220	80
Capital Projects	1,047,000	1,069,650	371,644	698,006
Contingencies	148,750	245,500		245,500
Total Expenditures	<u>6,841,300</u>	<u>7,175,900</u>	<u>6,031,014</u>	<u>1,144,886</u>
Excess (Deficiency) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(184,200)	(184,200)	647,101	831,301
Other Financing Sources (Uses):				
Transfers Out	(1,289,300)	(1,289,300)	(985,833)	303,467
Transfers In	259,000	259,000	259,000	
Total Other Financing Sources (Uses)	<u>(1,030,300)</u>	<u>(1,030,300)</u>	<u>(726,833)</u>	<u>303,467</u>
Net Changes in Fund Balance	<u>(1,214,500)</u>	<u>(1,214,500)</u>	<u>(79,732)</u>	<u>1,134,768</u>
Fund Balance, July 1, 2010	<u>1,214,500</u>	<u>1,214,500</u>	<u>1,320,483</u>	<u>105,983</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,240,751</u>	<u>\$ 1,240,751</u>

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

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, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 2,861,500	\$ 2,872,500	\$ 2,225,403	\$ (647,097)
Other	175,600	175,600	27,666	(147,934)
Interest	5,700	5,700	3,066	(2,634)
Total Revenues	<u>3,042,800</u>	<u>3,053,800</u>	<u>2,256,135</u>	<u>(797,665)</u>
Expenditures				
Road Maintenance	2,344,200	2,316,325	1,842,257	474,068
Capital Projects	1,343,000	1,486,900	1,163,865	323,035
Contingencies	37,000	83,975		83,975
Total Expenditures	<u>3,724,200</u>	<u>3,887,200</u>	<u>3,006,122</u>	<u>881,078</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(681,400)	(833,400)	(749,987)	83,413
Transfers In	450,000	550,000	550,000	
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>550,000</u>	<u>550,000</u>	<u></u>
Net Changes in Fund Balance	(231,400)	(283,400)	(199,987)	83,413
Fund Balance, July 1, 2010	<u>231,400</u>	<u>283,400</u>	<u>283,962</u>	<u>562</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,975</u>	<u>\$ 83,975</u>

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

NELSON COUNTY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - MAJOR GOVERNMENTAL FUNDS
LGEA FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenue	\$ 168,500	\$ 168,500	\$ 191,528	\$ 23,028
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,085</u>	<u>85</u>
Total Revenues	<u>169,500</u>	<u>169,500</u>	<u>192,613</u>	<u>23,113</u>
Expenditures				
Road Maintenance	165,000	165,000	127,074	37,926
Contingencies	<u>100,400</u>	<u>100,400</u>	<u>100,400</u>	<u>100,400</u>
Total Expenditures	<u>265,400</u>	<u>265,400</u>	<u>127,074</u>	<u>138,326</u>
Net Changes in Fund Balance	(95,900)	(95,900)	65,539	161,439
Fund Balance, July 1, 2010	<u>95,900</u>	<u>95,900</u>	<u>131,960</u>	<u>36,060</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 197,499</u>	<u>\$ 197,499</u>

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

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

June 30, 2011

NELSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

	EMS	Solid Waste	Landfill	PIC
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 101,044	\$ 104,095	\$ 925,446	\$ 2,442
Investments			3,438,696	
Land Held for Resale				3,001,477
Total Current Assets	<u>101,044</u>	<u>104,095</u>	<u>4,364,142</u>	<u>3,003,919</u>
Noncurrent Assets:				
Deferred Bond Charges				235,000
Land			1,179,946	124,654
Land Improvements			9,121,776	506,684
Buildings	277,372		453,662	14,497,262
Vehicles	452,875	1,222,671	1,310,384	256,900
Computers	73,503		6,575	
Equipment	701,543	242,106	1,089,967	1,174,235
Less Accumulated Depreciation	<u>(954,154)</u>	<u>(711,546)</u>	<u>(8,350,898)</u>	<u>(6,768,664)</u>
Total Noncurrent Assets	<u>551,139</u>	<u>753,231</u>	<u>4,811,412</u>	<u>10,026,071</u>
Total Assets	<u><u>652,183</u></u>	<u><u>857,326</u></u>	<u><u>9,175,554</u></u>	<u><u>13,029,990</u></u>
LIABILITIES				
Current Liabilities:				
Capital Leases				15,127
Bonds, Notes, and Loans Payable				25,000
Total Current Liabilities				<u>40,127</u>
Noncurrent Liabilities:				
Capital Leases				138,598
Bonds, Notes, and Loans Payable				10,987,657
Total Noncurrent Liabilities				<u>11,126,255</u>
Total Liabilities				<u>11,166,382</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Restricted	551,139	753,231	4,811,412	1,717,346
Infrastructure			3,438,696	
Unrestricted	<u>101,044</u>	<u>104,095</u>	<u>925,446</u>	<u>146,262</u>
Total Net Assets	<u>652,183</u>	<u>857,326</u>	<u>9,175,554</u>	<u>1,863,608</u>
Total Net Assets & Liabilities	<u><u>\$ 652,183</u></u>	<u><u>\$ 857,326</u></u>	<u><u>\$ 9,175,554</u></u>	<u><u>\$ 13,029,990</u></u>

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

NELSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2011
(Continued)

Jail Canteen - Non Major Fund	Total Proprietary Funds
\$ 30,879	\$ 1,163,906
	3,438,696
	3,001,477
<u>30,879</u>	<u>7,604,079</u>
	235,000
	1,304,600
	9,628,460
	15,228,296
	3,242,830
	80,078
	3,207,851
	<u>(16,785,262)</u>
	<u>16,141,853</u>
<u>30,879</u>	<u>23,745,932</u>
	15,127
	25,000
	<u>40,127</u>
	138,598
	<u>10,987,657</u>
	<u>11,126,255</u>
	<u>11,166,382</u>
	7,833,128
	3,438,696
<u>30,879</u>	<u>1,307,726</u>
<u>30,879</u>	<u>12,579,550</u>
<u>\$ 30,879</u>	<u>\$ 23,745,932</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, 2011

NELSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2011

	<u>EMS</u>	<u>Solid Waste</u>	<u>Landfill</u>
Operating Revenues			
Intergovernmental Revenues	\$ 36,792	\$ 57,579	\$ 30,745
Charges for Services	1,714,514	1,767,073	2,097,384
Other	18,348	13,921	8,940
Total Operating Revenues	<u>1,769,654</u>	<u>1,838,573</u>	<u>2,137,069</u>
Operating Expenses			
General Government			
Public Protection	1,968,933		
General Health & Sanitation:			
Landfill			1,493,490
Solid Waste		1,622,433	
Depreciation	136,706	85,811	678,436
Total Operating Expenses	<u>2,105,639</u>	<u>1,708,244</u>	<u>2,171,926</u>
Operating Income (Loss)	(335,985)	130,329	(34,857)
Nonoperating Revenues (Expenses)			
Gain (Loss) on Disposal of Assets	(31,836)	(8,373)	7,272
Interest and Investment Revenue	378	160	43,953
Interest Expense			
Total Nonoperating Revenues (Expenses)	<u>(31,458)</u>	<u>(8,213)</u>	<u>51,225</u>
Net Income (Loss) Before Transfers and Contributions	(367,443)	122,116	16,368
Transfers In	335,000		515,000
Transfers Out		(100,000)	(641,000)
Contribution of Assets	(47,432)		
Change in Net Assets	<u>(79,875)</u>	<u>22,116</u>	<u>(109,632)</u>
Total Net Assets - Beginning	732,058	835,210	9,285,186
Total Net Assets - Ending	<u>\$ 652,183</u>	<u>\$ 857,326</u>	<u>\$ 9,175,554</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, 2011
(Continued)

PIC	Jail Canteen - Non Major Fund	Total Proprietary Funds
\$	\$	\$ 125,116
1,007,374	213,547	6,799,892
<u>6,024</u>	<u>90,867</u>	<u>138,100</u>
<u>1,013,398</u>	<u>304,414</u>	<u>7,063,108</u>
27,088		27,088
	319,664	2,288,597
		1,493,490
		1,622,433
<u>697,637</u>		<u>1,598,590</u>
<u>724,725</u>	<u>319,664</u>	<u>7,030,198</u>
288,673	(15,250)	32,910
		(32,937)
	299	44,790
<u>(406,933)</u>		<u>(406,933)</u>
<u>(406,933)</u>	<u>299</u>	<u>(395,080)</u>
(118,260)	(14,951)	(362,170)
441,000		1,291,000
(415,000)		(1,156,000)
		(47,432)
<u>(92,260)</u>	<u>(14,951)</u>	<u>(274,602)</u>
1,955,868	45,830	12,854,152
<u>\$ 1,863,608</u>	<u>\$ 30,879</u>	<u>\$ 12,579,550</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, 2011

NELSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2011

	EMS	Solid Waste	Landfill
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,732,862	\$ 1,780,994	\$ 2,106,324
Payments to Suppliers	(826,095)	(1,143,871)	(933,262)
Payments to Employees	(1,142,838)	(478,562)	(560,228)
Other Receipts	36,792	57,579	30,745
Net Cash Provided (Used) by Operating Activities	<u>(199,279)</u>	<u>216,140</u>	<u>643,579</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (To)/From Other Funds	<u>335,000</u>	<u>(100,000)</u>	<u>(126,000)</u>
Net Cash Provided by Noncapital Financing	<u>335,000</u>	<u>(100,000)</u>	<u>(126,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(115,992)	(181,988)	(18,067)
Proceeds from Sales of Capital Assets	1,401	11,728	7,272
Principal Paid on Capital Debt			
Interest Paid on Capital Debt			
Net Cash Provided (Used) by Capital and Related Financing	<u>(114,591)</u>	<u>(170,260)</u>	<u>(10,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	378	160	43,953
Investment Purchases			(427,078)
Net Cash Provided (Used) by Investing Activities	<u>378</u>	<u>160</u>	<u>(383,125)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,508	(53,960)	123,659
Cash and Cash Equivalents - July 1	79,536	158,055	801,787
Cash and Cash Equivalents - June 30	<u>\$ 101,044</u>	<u>\$ 104,095</u>	<u>\$ 925,446</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	(335,985)	130,329	(34,857)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	136,706	85,811	678,436
Net cash provided by operating activities	<u>\$ (199,279)</u>	<u>\$ 216,140</u>	<u>\$ 643,579</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, 2011
(Continued)

PIC	Jail Canteen - Non Major Fund	Total Proprietary Funds
\$ 1,013,398	\$ 304,414	\$ 6,937,992
(27,088)	(319,664)	(3,249,980)
		(2,181,628)
		125,116
<u>986,310</u>	<u>(15,250)</u>	<u>1,631,500</u>
<u>26,000</u>		<u>135,000</u>
<u>26,000</u>		<u>135,000</u>
(86,621)		(402,668)
		20,401
(519,587)		(519,587)
(406,933)		(406,933)
<u>(1,013,141)</u>		<u>(1,308,787)</u>
	299	44,790
		<u>(427,078)</u>
	<u>299</u>	<u>(382,288)</u>
(831)	(14,951)	75,425
3,273	45,830	1,088,481
<u>\$ 2,442</u>	<u>\$ 30,879</u>	<u>\$ 1,163,906</u>
288,673	(15,250)	32,910
697,637		1,598,590
<u>\$ 986,310</u>	<u>\$ (15,250)</u>	<u>\$ 1,631,500</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principle generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Accounts receivable and receivables related to property taxes and landfill tipping fees, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

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.

B. Reporting Entity

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

Primary Government:	County of Nelson
Blended Component Units:	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, *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 Corporation	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 Corporation
Nelson County Public Improvements Corporation	Created to finance long term capital projects. County Judge Executive and Magistrates serve as entire governing body. Debt issued by NCPIIC requires approval by Fiscal Court.	Public Improvements Corporation

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

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

C. Nelson County 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

D. Government-wide and Fund 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 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, 2011, the County had 8 funds, electing to classify 7 of those as major. Major funds include General, Road, LGEA, EMS, Solid Waste, Landfill, and Public Improvements Corporation. Nonmajor fund includes the Jail Canteen.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The funds of the County are described below:

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 Commonwealth of Kentucky in accordance with KRS 177.320.
Local Government Economic Assistance	Accounts for the revenues distributed to Kentucky counties under KRS 42.455 and expenditures for certain county road maintenance projects.

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:

<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, and dead animal removal for commercial entities and the public.
Landfill	Accounts for the operation of the landfill and roll-off container collection services.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Funds (Continued)

<u>Fund</u>	<u>Description</u>
Public Improvements 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 Fund	Accounts for sales of snacks and sundries to Jail inmates.

E. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. 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 July 1, 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.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Government-Wide Statements (Continued)

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

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.

G. 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.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In accordance with Government Accounting Standards Board 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions, the County of Nelson classifies governmental fund balances as follows:

- a) Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
 - Nelson County's non-spendable funds include the County's investment in capital assets net of related debt.
- b) Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- c) Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the fiscal court through formal action and do not lapse at year end.
 - Committed funds for general government include occupational license fees that the fiscal court has allotted specifically for OLF administrative costs, support for Road, EMS, and other entities. For business-type activities, committed funds represent the amounts set aside for landfill closure.
- d) Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Judge Executive.
 - Certain funds have been assigned for governmental activities to support construction of the new senior citizen center. Other funds have been assigned for infrastructure maintenance costs. Jail canteen funds are assigned solely for business-type activities to fund canteen inventory and certain inmate expenditures.
- e) Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other government funds.

It is the County's policy to first use restricted and committed net assets prior to the use of assigned or unassigned net assets when an expense is incurred for purposes for which restricted, committed and assigned net assets are available.

I. 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 may last. However, many of our assets are used for much longer periods.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Budgetary Information

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. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposit may not be returned to it. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. 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. Several outstanding loans from property owners have been written off as uncollectible. The following notes with property owners remain as of June 30, 2011.

- 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. As of June 30, 2011, the principal balance due was \$471.
- 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. As of June 30, 2011 the principal balance due was \$10,651.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Receivables (Continued)

- 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. As of June 30, 2011, the principal balance due was \$797.

Note 4. Land Held For Resale

In July 2004, Nelson County Fiscal Court purchased 424 acres to develop the Nelson County Industrial Park, located near the intersection of the Martha Layne Collins Parkway and US Highway 150. The property was purchased for \$3,197,674. During the last six years, infrastructure additions have been made to develop the property, including a water tank, initial sewer line installation, and the completion of Parkway Drive. As of June 30, 2011, the County has spent a total of \$5,143,947 on this development.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Capital Assets

Capital asset activity resulting from modified cash basis transactions, for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,684,346	\$	\$	\$ 1,684,346
Land Improvements	1,328,205	28,642		1,356,847
Buildings	12,340,398	248,017		12,588,415
Vehicles	2,043,860	143,650	(15,634)	2,171,876
Computers	55,091	35,574		90,665
Equipment	898,715	46,580		945,295
Infrastructure	93,296,971	976,193		94,273,164
Totals at Historical Cost	<u>111,647,586</u>	<u>1,478,656</u>	<u>(15,634)</u>	<u>113,110,608</u>
Land Improvements	(984,038)	(151,744)		(1,135,782)
Buildings	(9,367,154)	(200,283)		(9,567,437)
Vehicles	(1,647,729)	(135,963)	15,634	(1,768,058)
Computers	(54,379)	(7,822)		(62,201)
Equipment	(553,070)	(68,339)		(621,409)
Infrastructure	(75,416,511)	(3,095,382)		(78,511,893)
Total Accumulated Depreciation	<u>(88,022,881)</u>	<u>(3,659,533)</u>	<u>15,634</u>	<u>(91,666,780)</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,624,705</u>	<u>\$ (2,180,877)</u>	<u>\$</u>	<u>\$ 21,443,828</u>
Business-type Activities:				
Land	\$ 1,304,600	\$	\$	\$ 1,304,600
Land improvements	9,619,985	8,474		9,628,459
Buildings	15,218,143	10,153		15,228,296
Vehicles	3,357,649	197,494	(312,312)	3,242,831
Computers	62,210	17,868		80,078
Equipment	1,992,261	41,356		2,033,617
Infrastructure	1,094,342	79,890		1,174,232
Totals at Historical Cost	<u>32,649,190</u>	<u>355,235</u>	<u>(312,312)</u>	<u>32,692,113</u>
Land improvements	(6,047,752)	(576,409)		(6,624,161)
Buildings	(5,661,329)	(432,971)		(6,094,300)
Vehicles	(1,441,577)	(225,751)	258,974	(1,408,354)
Computers	(59,583)	(4,232)		(63,815)
Equipment	(1,570,127)	(128,179)		(1,698,306)
Infrastructure	(665,277)	(231,048)		(896,325)
Total Accumulated Depreciation	<u>(15,445,645)</u>	<u>(1,598,590)</u>	<u>258,974</u>	<u>(16,785,261)</u>
Business-type Activities Capital Assets, Net	<u>\$ 17,203,545</u>	<u>\$ (1,243,355)</u>	<u>\$ (53,338)</u>	<u>\$ 15,906,852</u>

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 110,124
Public Protection	
Jail	27,720
Law Enforcement	118,493
Building Inspection	3,924
Emergency Management	4,873
General Health and Sanitation	14,282
Recreation and Culture	227,670
Road Maintenance	3,152,447
	<u>\$ 3,659,533</u>

Business-Type Activities

General Government	\$ 447,264
Public Protection	156,031
General Health and Sanitation	764,247
Road Maintenance	231,048
	<u>\$ 1,598,590</u>

Note 6. 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, 2011, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds and Notes Payable:					
2007 GO Bonds	\$ 840,000	\$	\$ (105,000)	\$ 735,000	\$ 110,000
Governmental Activities					
Long-term Liabilities	<u>\$ 840,000</u>	<u>\$</u>	<u>\$ (105,000)</u>	<u>\$ 735,000</u>	<u>\$ 110,000</u>

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. 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	8,145,000		(8,145,000)		
Justice Center-2003	265,000		(15,000)	250,000	15,000
Justice Center-2011		7,905,000		7,905,000	10,000
Total Bonds and Notes Payable	<u>11,267,657</u>	<u>7,905,000</u>	<u>(8,160,000)</u>	<u>11,012,657</u>	<u>25,000</u>
Capital Leases:					
Northeast Nelson Fire Truck	15,000		(15,000)		
Airport Main Hangar	60,000		(5,000)	55,000	5,000
New Hope Fire Truck	108,312		(9,587)	98,725	10,127
Total Capital Leases	<u>183,312</u>		<u>(29,587)</u>	<u>153,725</u>	<u>15,127</u>
Business-type Activities					
Long-term Liabilities	<u>\$ 11,450,969</u>	<u>\$ 7,905,000</u>	<u>\$ (8,189,587)</u>	<u>\$ 11,166,382</u>	<u>\$ 40,127</u>

Governmental Activities

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 \$55,000) 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 currently bears interest at 1.27%, to be adjusted annually 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.
- 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 was paid in full January 2011.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

Business-type Activities (Continued)

- 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, 2011, the interest rate was 5.28%. 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 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) The Nelson County Public Properties Corporation entered into a bond issue, Nelson County Public Properties Corporation First Mortgage Refunding Revenue Bonds (Court Facility Project), Series 2011 on May 10, 2011 for the purpose of paying the costs associated with the refunding and refinancing of the Series 2002 Bonds. Proceeds from the original bond issue provided funds for the construction of the Nelson County Justice Center. The issue amount of the bonds was \$7,905,000. Interest on the bonds will be payable semi-annually on December 1 and June 1 of each year commencing December 1, 2011. The bonds will mature on June 1 of each year thereafter. The outstanding balance as of June 30, 2011 was \$7,905,000.
- b) On October 16, 2003, Nelson County Public Properties Corporation issued First Mortgage Revenue Bonds Series 2002 B dated October 1, 2003, in the amount of \$375,000. Proceeds from this bond issue provided funds for the completion of the Nelson County Justice Center.
- c) The Corporation has entered into a lease with the Administrative Office of the Courts (AOC), whereby AOC will lease from the Corporation the Justice Center 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.

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, 2011, are as follows:

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

Debt Service Requirements to Maturity (Continued)

<u>YEAR ENDED</u>	<u>BONDS & NOTES</u>		<u>LEASES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
<u>JUNE 30</u>				
2012	\$ 135,000	\$ 261,055	\$ 15,127	\$ 7,245
2013	740,000	243,898	15,561	6,535
2014	3,652,657	971,005	15,968	5,796
2015	810,000	214,618	16,390	5,038
2016	830,000	195,605	16,828	4,265
2017 - 2021	3,900,000	664,458	68,851	9,380
2022 - 2026	1,680,000	91,135	5,000	264
Totals	<u>\$ 11,747,657</u>	<u>\$ 2,641,774</u>	<u>\$ 153,725</u>	<u>\$ 38,523</u>

Note 7. 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, 2011.

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 250,000	\$ (935,000)
Road	550,000	
EMS	335,000	
Solid Waste		(100,000)
Landfill	515,000	(641,000)
PIC	441,000	(415,000)
Totals	<u>\$ 2,091,000</u>	<u>\$ (2,091,000)</u>

The County transfers occupational license tax revenues as needed to support operations of the 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 land is sold to cover these costs.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Employee Retirement System (Continued)

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$935,202, FY 2010 was \$1,113,720, and FY 2011 was \$1,187,788.

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

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

CERS also provides post retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Commitments and Contingencies

Closure and Post-closure 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 post-closure care costs will be paid only near or after the date that the landfill stops accepting waste.

As of June 30, 2011, County engineers estimate that \$6,528,230 will be required for landfill closure cost and for postclosure care liability. Approximately 49% of the landfill airspace capacity had been used as of June 30, 2011. \$3,438,696 has been set aside in a restricted reserve to accumulate funds required to finance closure and post-closure monitoring.

Filling activities within the contained landfill began in 1995. The original design was estimated to last 20 years based on multiple assumptions and receipt of waste from Nelson, Marion, and Washington Counties. Due to increased compaction rates within the landfill, decreased volume from industries and Washington County no longer disposing waste at the landfill, the new anticipated life expectancy is 30 years, therefore the closure would be approximately in 2025-2028. 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 10. 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 11. Related Party Transactions

Nelson County Magistrate, Jeff Lear, is a partner of Bardstown Internet Service, Inc. with a 50% ownership in the company. The County had a contract in place with the company for internet services prior to Magistrate Lear's election in November 2010. The County paid a total of \$5,206 to Bardstown Internet Service, Inc. during the fiscal year ending June 30, 2011, of which \$2,897 was paid following his election. The County changed its internet service provider in June 2011.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 12. Subsequent Events

During September 2011, the County began construction on a new Senior Center Complex. The estimated cost to complete the project is \$943,000. A portion of the costs will be paid with federal funds from a \$500,000 Community Development Block Grant that the County was awarded. Expected completion date of the Senior Center Complex is April 2012.

Note 13. Change in Accounting Principles

The Nelson County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds. The implementation also resulted in two funds previously presented as special revenue funds that no longer meet the definition as a special revenue fund and are now rolled into the General Fund. As a result, beginning fund balance for the General Fund has been increased by \$162,116 for the addition of the previously reported Jail and Occupational License Fee Funds.

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. As a result of GASB 54, the Budget to Actual Statement of the General Fund reflects only the budgeted amounts adopted for the General Fund and excludes those amounts that were budgeted for the Jail Fund and Occupational License Fee Fund.

Following is a summary of adjustments that convert the cash basis budgetary schedule to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund:

Budgetary Basis - Revenues	\$ 6,678,115
Plus: Jail Fund Revenues	601,967
Plus: OLF Fund Revenues	1,081,182
Modified Cash Basis - Revenues	<u>\$ 8,361,264</u>
Budgetary Basis - Expenditures	\$ 6,031,014
Plus: Jail Fund Expenditures	1,487,800
Plus: OLF Fund Expenditures	113,972
Plus: Contribution of Capital Asset	35,574
Modified Cash Basis - Revenues	<u>\$ 7,668,360</u>
Budgetary Basis - Ending Fund Balance	\$ 1,240,751
Plus: Jail Fund Balance	0
Plus: OLF Fund Balance	285,326
Modified Cash Basis - Fund Balance	<u>\$ 1,526,077</u>

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

For The Year Ended June 30, 2011

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE - OTHER FUNDS
EMS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 10,200	\$ 75,500	\$ 36,792	\$ (38,708)
Charges for Services	1,653,500	1,653,500	1,714,514	61,014
Other	3,500	3,500	19,749	16,249
Interest	1,000	1,000	378	(622)
Total Revenues	<u>1,668,200</u>	<u>1,733,500</u>	<u>1,771,433</u>	<u>37,933</u>
Expenditures				
Public Protection	1,967,750	2,016,750	1,968,933	47,817
Capital Projects	60,000	125,300	115,992	9,308
Contingencies	11,115	5,115		5,115
Total Expenditures	<u>2,038,865</u>	<u>2,147,165</u>	<u>2,084,925</u>	<u>62,240</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(370,665)	(413,665)	(313,492)	100,173
Other Financing Sources:				
Transfers In	335,000	335,000	335,000	
Total Other Financing Sources	<u>335,000</u>	<u>335,000</u>	<u>335,000</u>	
Net Changes in Fund Balances	(35,665)	(78,665)	21,508	100,173
Fund Balance, July 1, 2010	<u>35,665</u>	<u>78,665</u>	<u>79,536</u>	<u>871</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,044</u>	<u>\$ 101,044</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE - OTHER FUNDS
SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 57,500	\$ 57,500	\$ 57,579	\$ 79
Charges for Services	1,746,300	1,756,300	1,767,073	10,773
Other	8,500	33,100	25,649	(7,451)
Interest	300	300	160	(140)
Total Revenues	<u>1,812,600</u>	<u>1,847,200</u>	<u>1,850,461</u>	<u>3,261</u>
Expenditures				
General Health & Sanitation	1,709,700	1,719,300	1,622,433	96,867
Capital Projects	160,000	188,000	181,988	6,012
Contingencies	32,400	29,400		29,400
Total Expenditures	<u>1,902,100</u>	<u>1,936,700</u>	<u>1,804,421</u>	<u>132,279</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(89,500)	(89,500)	46,040	135,540
Other Financing Sources (Uses):				
Transfers out	(100,000)	(100,000)	(100,000)	
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u></u>
Net Changes in Fund Balances	(189,500)	(189,500)	(53,960)	135,540
Fund Balance, July 1, 2010	<u>189,500</u>	<u>189,500</u>	<u>158,055</u>	<u>(31,445)</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 104,095</u>	<u>\$ 104,095</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE - OTHER FUNDS
LANDFILL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$	\$ 11,840	\$ 30,745	\$ 18,905
Charges for Services	1,983,400	1,983,400	2,097,384	113,984
Other	500	500	16,212	15,712
Interest	75,000	75,000	43,953	(31,047)
Total Revenues	<u>2,058,900</u>	<u>2,070,740</u>	<u>2,188,294</u>	<u>117,554</u>
Expenditures				
General Health & Sanitation	1,467,600	1,585,990	1,493,490	92,500
Capital Projects	75,000	40,000	18,067	21,933
Closure reserves	1,325,225	1,253,675	427,078	826,597
Total Expenditures	<u>2,867,825</u>	<u>2,879,665</u>	<u>1,938,635</u>	<u>941,030</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(808,925)	(808,925)	249,659	1,058,584
Other Financing Sources (Uses):				
Transfers Out	(200,000)	(200,000)	(641,000)	(441,000)
Transfers In	100,000	100,000	515,000	415,000
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(126,000)</u>	<u>(26,000)</u>
Net Changes in Fund Balances	(908,925)	(908,925)	123,659	1,032,584
Fund Balance, July 1, 2010	<u>908,925</u>	<u>908,925</u>	<u>801,787</u>	<u>(107,138)</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 925,446</u>	<u>\$ 925,446</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULE - OTHER FUNDS
PIC FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Charges for Services	\$ 995,550	\$ 1,003,050	\$ 1,007,374	\$ 4,324
Other	4,000	4,000	6,024	2,024
Total Revenues	<u>999,550</u>	<u>1,007,050</u>	<u>1,013,398</u>	<u>6,348</u>
Expenditures				
General Government	32,900	32,900	27,088	5,812
Debt Service:				
Principal	519,450	519,600	519,587	13
Interest	407,700	407,550	406,933	617
Capital Projects	79,200	86,700	86,621	79
Contingencies	3,010	3,010		3,010
Total Expenditures	<u>1,042,260</u>	<u>1,049,760</u>	<u>1,040,229</u>	<u>9,531</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(42,710)	(42,710)	(26,831)	15,879
Other Financing Sources (Uses):				
Transfers Out			(415,000)	(415,000)
Transfers In			441,000	441,000
Total Other Financing Sources (Uses)			<u>26,000</u>	<u>26,000</u>
Net Changes in Fund Balances	(42,710)	(42,710)	(831)	41,879
Fund Balance, July 1, 2010	<u>42,710</u>	<u>42,710</u>	<u>3,273</u>	<u>(39,437)</u>
Fund Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,442</u>	<u>\$ 2,442</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**

TICHENOR & ASSOCIATES, LLP

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E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
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, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 26, 2012. 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

Management of Nelson County is responsible for establishing and maintaining effective 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 opinion 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control 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, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

January 26, 2012

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

NELSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2011**

Appendix A

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

For The Fiscal Year Ended June 30, 2011

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



County Judge/Executive



County Treasurer

