

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

**For The Fiscal Year Ended
June 30, 2012**



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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, 2012, 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,

Adam H. Edelen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE NELSON COUNTY FISCAL COURT

June 30, 2012

Tichenor & Associates, LLP has completed the audit of the Nelson County Fiscal Court for fiscal year ended June 30, 2012. 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. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Nelson County's major federal program: Community Development Block Grant/State's Program (CFDA #14.228).

Financial Condition:

The fiscal court had total net assets of \$33,401,044 as of June 30, 2012. The fiscal court had unrestricted net assets of \$1,340,509 in its governmental activities as of June 30, 2012, with total net assets for governmental activities of \$21,676,660. In its business-type activities, total net cash and cash equivalents were \$1,001,554 with total net assets of \$11,724,384. The fiscal court had total debt principal as of June 30, 2012, of \$11,712,006 with \$755,561 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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Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nelson County, Kentucky, as of and for the year ended June 30, 2012, 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, 2012, 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 LGEA Fund, for the year then ended in conformity with the basis of accounting described in Note 1.

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

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise Nelson County, Kentucky's basic financial statements as a whole. The management's discussion and analysis and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole. The management's discussion and analysis and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2013 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 25, 2013

NELSON COUNTY OFFICIALS**For The Year Ended June 30, 2012****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, 2012

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, 2012. 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 4.8% or \$1.69 million as the depreciation of capital assets exceeds the County's investment in new assets;
- Overall, total revenues increased 2.47%, and expenses decreased 1.65%;
- Occupational license revenues remained steady, increasing 2% over the prior year. The County also realized an additional 3% increase in revenues due to collections of delinquent receipts;
- Grant receipts increased 24% over the prior year, primarily for road aid, road construction reimbursements, and a community development block grant which aided in the construction of the new Senior Citizens Center;
- Property tax revenues increased 2.5% overall;
- Current assets increased 0.6%; long-term debt decreased 1.6%.

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.

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, 2012
 (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 \$33,401,044 as of June 30, 2012.

Table 1
Net Assets of Governmental and Business-Type Activities
June 30, 2012

	2012		2011	
	Governmental Activities	Business-type Activities	Total Primary Government	Total Primary Government
Current and other assets	\$ 1,989,781	\$ 7,784,377	\$ 9,774,158	\$ 9,719,378
Capital assets	20,379,084	15,027,013	35,406,097	37,350,680
Total assets	<u>22,368,865</u>	<u>22,811,390</u>	<u>45,180,255</u>	<u>47,070,058</u>
Long-term debt outstanding	625,000	11,087,006	11,712,006	11,901,382
Other liabilities	67,205		67,205	72,748
Total liabilities	<u>692,205</u>	<u>11,087,006</u>	<u>11,779,211</u>	<u>11,974,130</u>
Net assets:				
Invested in capital assets, net of debt	19,754,084	6,758,308	26,512,392	28,541,956
Restricted	582,067	3,781,346	4,363,413	3,438,696
Unassigned	1,340,509	1,184,730	2,525,239	3,115,277
Total Net Assets	<u>\$ 21,676,660</u>	<u>\$ 11,724,384</u>	<u>\$ 33,401,044</u>	<u>\$ 35,095,929</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. These net assets are classified non-spendable because 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. The investment in capital assets, net of related debt comprises 91.13% of total governmental net assets, and 57.64% of business-type net assets.

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2012
 (Continued)

Changes in Net Assets

Governmental Activities: Nelson County's net assets decreased 4% (\$839,718) in fiscal year 2012. Key elements of the net asset change include:

1. Depreciation of capital assets surpassed investment in new assets by \$1,065,000;
2. Total cash and other current assets increased \$109,000;
3. Total debt and other liabilities decreased \$110,000;
4. Revenues were \$11,668,783, and expenditures totaled \$12,438,506.

Business-type Activities: Nelson County's net assets decreased 7% (\$855,164) during fiscal year 2012. Key elements of these changes include:

1. Depreciation of capital assets surpassed investment in new assets by \$1,087,000;
2. Total cash and other current assets increased \$180,000;
3. Total debt and liabilities decreased \$80,000;

Table 2 - Operating Results for the Year Ended June 30, 2012

	2012		2011	
	Governmental Activities	Business-type Activities	Total Primary Government	Total Primary Government
Revenues:				
Charges for services	\$ 732,459	\$ 6,297,737	\$ 7,030,196	\$ 7,552,704
Grant funding	4,260,331	170,220	4,430,551	3,562,542
Property taxes	4,753,684		4,753,684	4,638,908
Transient room tax	147,510		147,510	148,768
License fees and permits	1,492,507		1,492,507	1,437,599
Interest and investment earnings	2,161	97,173	99,334	145,801
Gain/Loss on transfer of assets		(7,392)	(7,392)	(32,937)
Miscellaneous	280,130	100,746	380,876	431,588
Total Revenues	11,668,782	6,658,484	18,327,266	17,884,973
Program Expenses:				
General government	2,910,685	947,618	3,858,303	3,913,352
Public Protection	3,212,961	2,462,582	5,675,543	5,464,808
Recreation	584,135		584,135	693,550
Road maintenance	4,674,536		4,674,536	5,163,596
General health and sanitation	717,871	4,005,282	4,723,153	4,605,681
Social services	123,672		123,672	126,021
Transportation	214,645		214,645	220,768
Total Expenses	12,438,505	7,415,482	19,853,987	20,187,776
Excess (deficiency) before transfers and special items	(769,723)	(756,998)	(1,526,721)	(2,302,803)
Transfers of assets	(69,995)	(78,584)	(148,579)	(138,646)
Amortization of deferred bond charges		(19,584)	(19,584)	
Increase (decrease) in net assets	\$ (839,718)	\$ (855,166)	\$ (1,694,884)	\$ (2,441,449)

Nelson County, Kentucky
Management Discussion and Analysis
For The Year Ended June 30, 2012
(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). For fiscal year 2012, the Occupational License Fund is presented in combination with the General Fund, but is presented in this discussion and analysis as a separate fund. Business-type funds include Emergency Medical Services (EMS), Solid Waste, Landfill, Public Improvement Corporation (PIC), and the Jail Canteen.

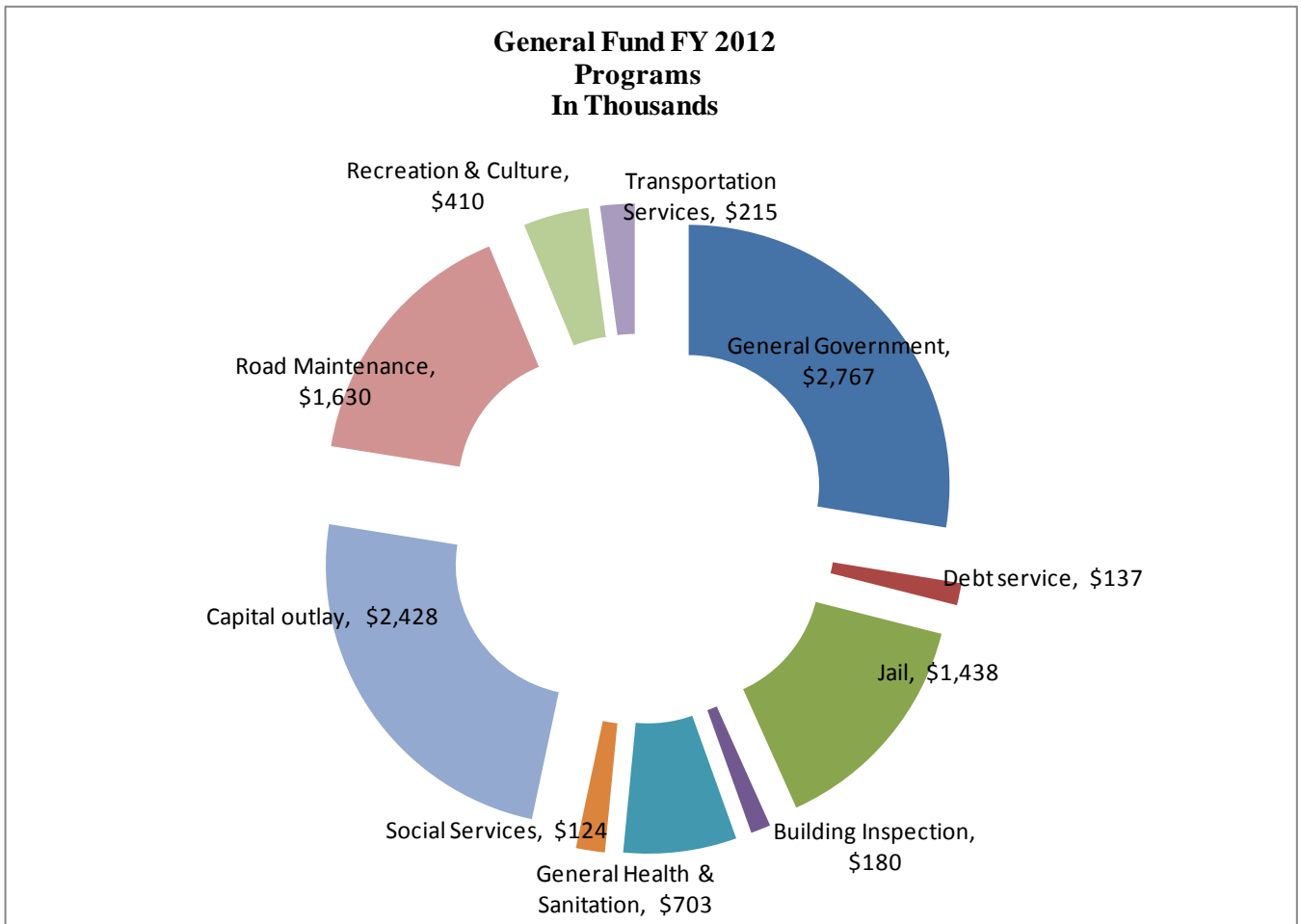
Governmental Funds

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 55% of all general fund revenues, state grants and reimbursements from Nelson County's incorporated cities (for Nelson County Planning and Zoning administrative fees) generated 17.6% of general fund revenues. The remaining revenues were generated by licenses and permits (16.8%), rental income from the Justice Center and Civic Center (8.2%), and other revenues (2.4%).

The chart below outlines the range of activities for fiscal year 2012. Debt service is still a small component of the total costs in the General Fund, with only 1.4% expended during FY 2012. The subsidy to the Jail represents 14.3% of the General Fund outlays which funded 55% 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.

Financial Analysis of the County's Funds (continued)

Governmental Funds (continued)



The Road Fund records all monies related to the construction and maintenance of all county roads and bridges. This fund collected \$2,580,000 in revenues, mostly due to state grant funding. The road fund also received \$425,000 in transfers from the Occupational License Fund, \$50,000 from Solid Waste Fund, and carried over a prior year surplus of \$84,000. Expenditures in the road fund totaled \$2,800,000. Two of the larger road projects included \$59,000 to replace a culvert on Lawrenceburg Loop Road, and \$25,500 towards Leonard Hall Road reconstruction. Due to a mild winter, the road fund saved \$120,000 on snow removal costs compared to FY 2011. The Road fund had a year-end balance of \$339,000.

The Jail fund records the financial operation of the County's detention center. The costs of operating the Jail were comparable to FY 2011; however, the facility received a 28% increase in reimbursements for state prisoner costs. These saving resulted in a decreased subsidy from the General Fund of \$72,000, which is an 8.85% decrease from FY 2011. Additionally, the Jail received a grant from the Bureau of Justice Assistance and purchased a video surveillance system totaling \$39,620, of which 25% (\$9,868) was paid from county funds.

Financial Analysis of the County's Funds (continued)

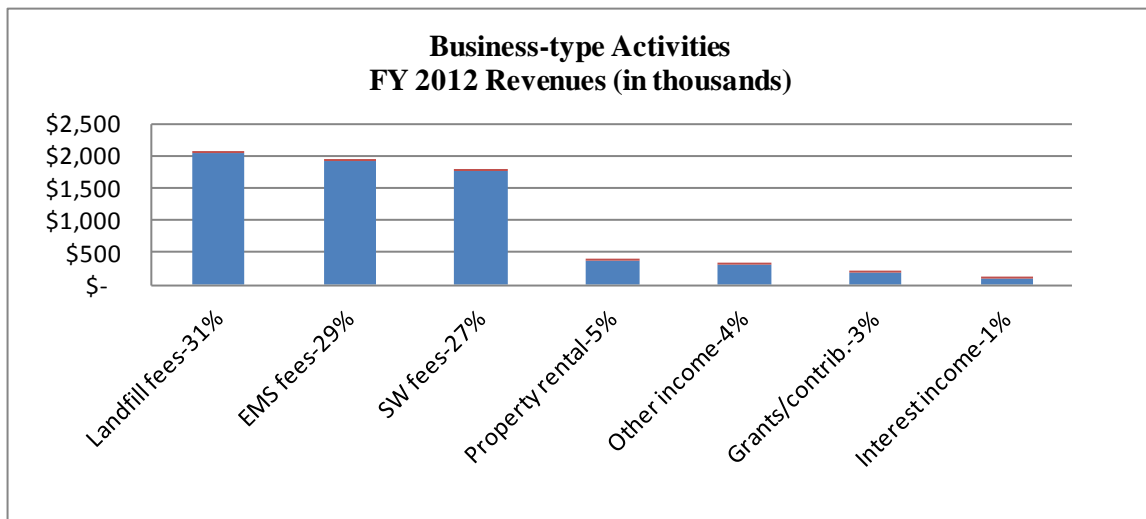
Governmental Funds (continued)

The Occupational License Fund (OLF) accounts for all revenues received from employee payroll withholdings and business license fees. OLF revenues increased 5% over FY 2011; expenses decreased 6% (\$7,500). The OLF transferred \$977,400 to the General, Road, EMS, and PIC funds during the year. The year end fund balance totaled \$337,700.

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 year-end balance of \$243,000.

Business-type funds

Charges for services are the largest resource in the business-type activities. In FY 2012, the Landfill generated 31% of the total proprietary revenues; EMS 29%; solid waste collection 27%; and property management, grants, and other represented 13%.

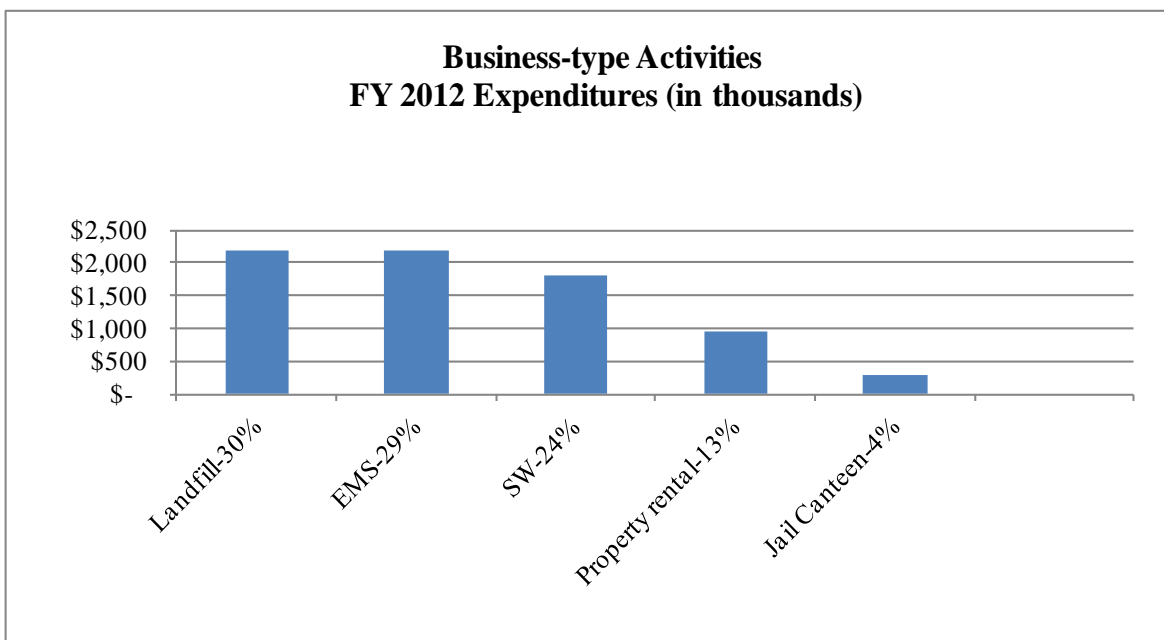


Financial Analysis of the County's Funds (continued)

Business-type Funds (continued)

The program analysis, however, indicates that Landfill and EMS costs are the largest components (59%) and explains the \$375,000 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, 2012
 (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 2012 provided additional funds for the following projects:

1. Senior Center construction costs;
2. Justice Center construction projects, reimbursed by the AOC;
3. Recreation funding, including completion of the fairgrounds canopy and improvements at the Civic Center;
4. Grant funding for blacktop and other road projects;
5. EMS grants through Ky Homeland Security to purchase two Power-Pro Cots;
6. Justice Assistance Grant to purchase surveillance equipment at the Jail.

Capital Asset and Debt Administration

Capital Assets: At June 30, 2012, the County had \$35 million invested in capital assets, net of depreciation. Almost 82% of the governmental assets and 55% 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 2011
Land	\$ 1,684,346	\$ 1,304,600	\$ 2,988,946	\$ 2,988,946
Land improvements	159,168	2,431,543	2,590,711	3,225,363
Buildings	3,888,127	8,715,003	12,603,130	12,154,974
Vehicles	360,784	2,007,611	2,368,395	2,238,295
Computers	21,347	12,031	33,378	44,727
Equipment	376,232	265,973	642,205	659,197
Infrastructure	13,889,080	74,836	13,963,916	16,039,177
Total	\$ 20,379,084	\$ 14,811,597	\$ 35,190,681	\$ 37,350,679

Nelson County, Kentucky
 Management Discussion and Analysis
 For The Year Ended June 30, 2012
 (Continued)

Capital Asset and Debt Administration (continued)

Major capital additions during FY 2012 include:

- 1) Senior Citizen Center construction (\$841,730);
- 2) Masonry restoration at Old Courthouse (\$60,000);
- 3) Basement renovation at Sutherland Building (\$38,400);
- 4) Four Ford F-250 Pickup Trucks (\$96,485);
- 5) Surveillance equipment for the Nelson County Jail (\$39,620);
- 6) Four vehicles for the Nelson EMS (\$190,200);
- 7) Caterpillar 826C Compactor for Landfill (\$165,000);
- 8) Road projects included improvements to Bennett's Lane Bridge (guardrail), Brittany Drive, Clarktown Road, Gilkey Run, Green Chapel Road, Hugh Ice Loop, Humphrey Lane, Jim Clark Road, Mount Moriah, Plum Run Road, Pottershop Road (widening), Whitesides Road, Whitney Drive, Lawrenceburg Loop (culvert) and Leonard Hall Road (reconstruction).

Long-Term Debt: At June 30, 2012, the County had \$11.7 million in long-term debt compared to \$11.9 million at June 30, 2011. Nelson County paid \$189,376 in debt with annual payments on notes, leases, and bonds. There are no debts scheduled to be retired in full for FY 2013.

June 30, 2012

Category	Governmental Activities	Business-Type Activities	FY 2012 Total	FY 2011 Total
Bonds	\$ 625,000	\$ 8,130,000	\$ 8,755,000	\$ 8,890,000
Notes		2,818,301	2,818,301	2,857,657
Capital leases		138,705	138,705	153,725
Total	\$ 625,000	\$ 11,087,006	\$ 11,712,006	\$ 11,901,382

Nelson County's outstanding debt is only 33% 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, 2012
(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 work 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 2013 budget with continued services at previous levels. A new senior center complex is expected to open in September 2012. The Fiscal Court has authorized construction for two major projects: the reconstruction of Nat Rogers Road (Ky 46) at Bull Run Creek and replacement of the bridge on Pottershop Road at Mill Creek. The EMS service is expected to purchase two additional emergency vehicles while the solid waste department will purchase one new garbage truck.

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 July 2012 was 8.7%, which is 6% lower than the 14.7% rate from July 2011. This compares to the State's rate of 8.5% and the national rate of 8.6% 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, 2012

NELSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,952,041	\$ 1,001,554	\$ 2,953,595
Investments	37,740	3,781,346	3,819,086
Land for resale		3,001,477	3,001,477
Capital assets, net	20,379,084	15,027,013	35,406,097
Total assets	<u>22,368,865</u>	<u>22,811,390</u>	<u>45,180,255</u>
LIABILITIES			
Deposits	67,205		67,205
Long-term liabilities:			
Due within one year	115,000	640,561	755,561
Due in more than one year	510,000	10,446,445	10,956,445
Total liabilities	<u>692,205</u>	<u>11,087,006</u>	<u>11,779,211</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,754,084	6,758,308	26,512,392
Restricted for:			
Infrastructure	582,067	3,781,346	4,363,413
Unrestricted	1,340,509	1,184,730	2,525,239
Total net assets	<u>\$ 21,676,660</u>	<u>\$ 11,724,384</u>	<u>\$ 33,401,044</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, 2012

NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government	\$ (2,910,685)	\$ 239,555	\$ 649,050	\$ 471,290
Public Protection:				
Jail	(1,468,964)	468,429	100,387	
Law Enforcement	(946,246)		320,861	
Building Inspection	(181,881)			
Fire Protection	(30,000)			
Emergency Management	(580,440)		21,687	
Public Advocacy	(5,430)			
General Health & Sanitation	(717,871)	8,267	4,000	
Social Services	(123,672)			
Recreation & Culture	(584,135)	16,208		
Road Maintenance	(4,674,536)		2,693,056	
Transportation Services	(214,645)			
Total Governmental Activities	<u>(12,438,505)</u>	<u>732,459</u>	<u>3,789,041</u>	<u>471,290</u>
Business-Type Activities:				
General Government	(947,618)	358,521		
Public Protection:				
Jail Canteen	(294,094)	216,712		
EMS	(2,168,488)	1,902,108		73,131
General Health & Sanitation:				
Landfill	(2,198,106)	2,047,422	3,000	
Solid Waste	(1,807,176)	1,772,974	94,089	
Total Business-Type Activities	<u>(7,415,482)</u>	<u>6,297,737</u>	<u>97,089</u>	<u>73,131</u>
Total Primary Government	<u>\$ (19,853,987)</u>	<u>\$ 7,030,196</u>	<u>\$ 3,886,130</u>	<u>\$ 544,421</u>

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
Deferred Bond Charge Amortization
Other Income
Cash Transfers
Total General Revenues, Special Items, and Transfers
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

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

NELSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,550,790)	\$	\$ (1,550,790)
(900,148)		(900,148)
(625,385)		(625,385)
(181,881)		(181,881)
(30,000)		(30,000)
(558,753)		(558,753)
(5,430)		(5,430)
(705,604)		(705,604)
(123,672)		(123,672)
(567,927)		(567,927)
(1,981,480)		(1,981,480)
(214,645)		(214,645)
<u>(7,445,715)</u>		<u>(7,445,715)</u>
	(589,097)	(589,097)
	(77,382)	(77,382)
	(193,249)	(193,249)
	(147,684)	(147,684)
	59,887	59,887
	<u>(947,525)</u>	<u>(947,525)</u>
<u>(7,445,715)</u>	<u>(947,525)</u>	<u>(8,393,240)</u>
4,753,684		4,753,684
147,510		147,510
1,492,507		1,492,507
2,161	97,173	99,334
	(7,392)	(7,392)
	(19,584)	(19,584)
280,130	100,746	380,876
(69,995)	(78,584)	(148,579)
<u>6,605,997</u>	<u>92,359</u>	<u>6,698,356</u>
(839,718)	(855,166)	(1,694,884)
<u>22,516,378</u>	<u>12,579,550</u>	<u>35,095,928</u>
<u>\$ 21,676,660</u>	<u>\$ 11,724,384</u>	<u>\$ 33,401,044</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, 2012

NELSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	<u>General</u>	<u>County Road Aid</u>	<u>LGEA</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,375,214	\$ 333,840	\$ 242,987	\$ 1,952,041
Investments		37,740		37,740
Total assets	<u>1,375,214</u>	<u>371,580</u>	<u>242,987</u>	<u>1,989,781</u>
LIABILITIES				
Payroll imprest	1,705			1,705
Road bonds		32,500		32,500
Encroachment permits	33,000			33,000
Total liabilities	<u>34,705</u>	<u>32,500</u>		<u>67,205</u>
FUND BALANCES				
Restricted To:				
Roads		339,080	242,987	582,067
Unassigned	1,340,509			1,340,509
Total fund balances	<u>1,340,509</u>	<u>339,080</u>	<u>242,987</u>	<u>1,922,576</u>
Total liabilities and fund balances	<u>\$ 1,375,214</u>	<u>\$ 371,580</u>	<u>\$ 242,987</u>	<u>\$ 1,989,781</u>

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

Total Fund Balance	\$ 1,922,576
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets (Net Of Depreciation) Used In Governmental Activities	20,379,084
Long-Term Debt Due and Payable	(625,000)
Net Assets of Governmental Activities	<u>\$ 21,676,660</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, 2012

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

For The Year Ended June 30, 2012

	<u>General</u>	<u>County Road Aid</u>	<u>Jail</u>	<u>LGEA</u>
REVENUES:				
Taxes	\$ 4,901,194	\$	\$	\$
Business Licenses	1,492,507			
Intergovernmental Revenues	1,466,888	2,489,879	100,387	203,177
Charges For Services	264,030		468,429	
Interest	1,293	717		151
Other	87,389	89,198	103,543	
Total Revenues	<u>8,213,301</u>	<u>2,579,794</u>	<u>672,359</u>	<u>203,328</u>
EXPENDITURES:				
Current Operating:				
General Government	2,767,340			
Public Protection:				
Jail			1,438,225	
Law Enforcement	840,161			
Building Inspection	179,539			
Fire Protection	30,000			
Emergency Management	576,666			
Public Advocacy	5,430			
General Health & Sanitation	703,372			
Social Services	123,672			
Recreation & Culture	409,622			
Road Maintenance	48,749	1,423,537		157,840
Transportation Services	214,645			
Capital Projects	1,122,244	1,257,573	47,946	
Debt Service:				
Principal	110,000			
Interest	27,201			
Total Expenditures	<u>7,158,641</u>	<u>2,681,110</u>	<u>1,486,171</u>	<u>157,840</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,054,660</u>	<u>(101,316)</u>	<u>(813,812)</u>	<u>45,488</u>
Other Financing Sources (Uses):				
Transfers In	580,984	475,000	813,812	
Transfers Out	(1,791,212)			
Contribution of Capital Assets	(30,000)	(118,579)		
Total Transfers And Other Sources	<u>(1,240,228)</u>	<u>356,421</u>	<u>813,812</u>	
Net Change in Fund Balance	(185,568)	255,105		45,488
Fund Balances - Beginning	<u>1,526,077</u>	<u>83,975</u>		<u>197,499</u>
Fund Balances - Ending	<u>\$ 1,340,509</u>	<u>\$ 339,080</u>	<u>\$ 0</u>	<u>\$ 242,987</u>

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

NELSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS (Continued)
For The Year Ended June 30, 2012

Total
Governmental
Funds
<u> </u>
\$ 4,901,194
1,492,507
4,260,331
732,459
2,161
280,130
<u>11,668,782</u>
2,767,340
1,438,225
840,161
179,539
30,000
576,666
5,430
703,372
123,672
409,622
1,630,126
214,645
2,427,763
110,000
27,201
<u>11,483,762</u>
<u>185,020</u>
1,869,796
(1,791,212)
(148,579)
<u>(69,995)</u>
115,025
1,807,551
<u>\$ 1,922,576</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, 2012

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	115,025
--------------------------------------------------------	----	---------

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 is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.

Capital Outlay		2,427,763
Depreciation Expense		(3,492,506)

The Issuance Of Long-Term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Financing Obligation And Bond Principal Payments Are Expensed In The Governmental Funds As A Use of Current Financial Resources. These Transactions, However, Have No Effect On Net Assets.

Bond Principal Payments		<u>110,000</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(839,718)</u></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, 2012

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, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Taxes	\$ 4,729,300	\$ 4,777,300	\$ 4,901,194	\$ 123,894
Licenses & Permits	357,100	357,100	356,580	(520)
Intergovernmental Revenues	1,139,800	1,281,900	1,466,888	184,988
Charges for Services	310,200	310,200	264,030	(46,170)
Other	70,500	81,600	87,389	5,789
Interest	10,000	10,000	987	(9,013)
Total Revenues	<u>6,616,900</u>	<u>6,818,100</u>	<u>7,077,068</u>	<u>258,968</u>
Expenditures				
General Government	2,688,900	3,212,400	3,150,691	61,709
Public Protection:				
Law Enforcement	824,200	848,900	840,161	8,739
Building Inspection	189,600	183,150	179,539	3,611
Fire Protection	30,000	30,000	30,000	
Emergency Management	357,900	579,750	576,666	3,084
Public Advocacy	4,700	5,450	5,430	20
General Health & Sanitation	710,000	708,100	703,372	4,728
Social Services	137,400	133,800	123,672	10,128
Recreation & Culture	411,100	431,500	409,622	21,878
Road Maintenance	44,500	50,000	48,749	1,251
Transportation Services	209,100	209,850	209,845	5
Debt Service:				
Principal	110,000	110,000	110,000	
Interest	27,300	27,300	27,201	99
Capital Projects	1,059,400	879,400	667,244	212,156
Contingencies	61,400	92,100		92,100
Total Expenditures	<u>6,865,500</u>	<u>7,501,700</u>	<u>7,082,192</u>	<u>419,508</u>
Excess (Deficiency) of Revenues Over Expenditures				
Before Other Financing Sources (Uses)	(248,600)	(683,600)	(5,124)	678,476
Other Financing Sources (Uses):				
Transfers Out	(1,151,800)	(1,151,800)	(813,812)	337,988
Transfers In	352,400	597,400	580,984	(16,416)
Total Other Financing Sources (Uses)	<u>(799,400)</u>	<u>(554,400)</u>	<u>(232,828)</u>	<u>321,572</u>
Net Changes in Fund Balance	<u>(1,048,000)</u>	<u>(1,238,000)</u>	<u>(237,952)</u>	<u>1,000,048</u>
Fund Balance, July 1, 2011	<u>1,048,000</u>	<u>1,238,000</u>	<u>1,240,751</u>	<u>2,751</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,002,799</u>	<u>\$ 1,002,799</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, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 1,971,200	\$ 2,258,200	\$ 2,489,879	\$ 231,679
Other	600	74,600	89,198	14,598
Interest	3,900	3,900	717	(3,183)
Total Revenues	<u>1,975,700</u>	<u>2,336,700</u>	<u>2,579,794</u>	<u>243,094</u>
Expenditures				
Road Maintenance	1,483,100	1,470,600	1,423,537	47,063
Capital Projects	1,255,500	1,532,600	1,376,152	156,448
Contingencies	53,100	124,500		124,500
Total Expenditures	<u>2,791,700</u>	<u>3,127,700</u>	<u>2,799,689</u>	<u>328,011</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	(816,000)	(791,000)	(219,895)	571,105
Other Financing Sources (Uses):				
Transfers In	<u>500,000</u>	<u>475,000</u>	<u>475,000</u>	
Total Other Financing Sources (Uses)	<u>500,000</u>	<u>475,000</u>	<u>475,000</u>	
Net Changes in Fund Balance	(316,000)	(316,000)	255,105	571,105
Fund Balance, July 1, 2011	<u>316,000</u>	<u>316,000</u>	<u>83,975</u>	<u>(232,025)</u>
Fund Balance, June 30, 2012	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 339,080</u></u>	<u><u>\$ 339,080</u></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
JAIL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 66,500	\$ 96,300	\$ 100,387	\$ 4,087
Charges for Services	307,200	307,200	468,429	161,229
Other	103,000	103,000	103,543	543
Total Revenues	<u>476,700</u>	<u>506,500</u>	<u>672,359</u>	<u>165,859</u>
Expenditures				
Public Protection	1,585,000	1,585,000	1,438,225	146,775
Capital Projects	28,500	58,300	47,946	10,354
Contingencies	15,000	15,000		15,000
Total Expenditures	<u>1,628,500</u>	<u>1,658,300</u>	<u>1,486,171</u>	<u>172,129</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,151,800)	(1,151,800)	(813,812)	337,988
Other Financing Sources (Uses):				
Transfers In	1,151,800	1,151,800	813,812	(337,988)
Total Other Financing Sources (Uses)	<u>1,151,800</u>	<u>1,151,800</u>	<u>813,812</u>	<u>(337,988)</u>
Net Changes in Fund Balance				
Fund Balance, July 1, 2011	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Intergovernmental Revenue	\$ 175,000	\$ 175,000	\$ 203,177	\$ 28,177
Interest	<u>1,000</u>	<u>1,000</u>	<u>151</u>	<u>(849)</u>
Total Revenues	176,000	176,000	203,328	27,328
Expenditures				
Road Maintenance	179,000	179,000	157,840	21,160
Contingencies	<u>156,000</u>	<u>156,000</u>	<u></u>	<u>156,000</u>
Total Expenditures	335,000	335,000	157,840	177,160
Net Changes in Fund Balance	(159,000)	(159,000)	45,488	204,488
Fund Balance, July 1, 2011	<u>159,000</u>	<u>159,000</u>	<u>197,499</u>	<u>38,499</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 242,987</u>	<u>\$ 242,987</u>

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

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

June 30, 2012

Note 1. Budgetary Information

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.

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. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances

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

General Fund:

Budgetary Basis - Revenues	\$ 7,077,068
Plus: OLF Fund Revenues	<u>1,136,233</u>
Modified Cash Basis - Revenues	<u><u>\$ 8,213,301</u></u>

Budgetary Basis - Expenditures	\$ 7,082,192
Plus: OLF Fund Expenditures	106,449
Minus: Contribution of Capital Assets	<u>(30,000)</u>
Modified Cash Basis - Expenditures	<u><u>\$ 7,158,641</u></u>

Budgetary Basis - Other Financing Sources (Uses)	\$ (232,828)
Plus: OLF Fund Transfers Out	(977,400)
Plus: Contribution of Capital Assets	<u>(30,000)</u>
Modified Cash Basis - Other Financing Sources (Uses)	<u><u>\$ (1,240,228)</u></u>

Budgetary Basis - Ending Fund Balance	\$ 1,002,799
Plus: OLF Fund Balance	<u>337,710</u>
Modified Cash Basis - Fund Balance	<u><u>\$ 1,340,509</u></u>

Road Fund:

Budgetary Basis - Expenditures	\$ 2,799,689
Minus: Contribution of Capital Assets	<u>(118,579)</u>
Modified Cash Basis - Expenditures	<u><u>\$ 2,681,110</u></u>

Budgetary Basis - Other Financing Sources (Uses)	\$ 475,000
Minus: Contribution of Capital Assets	<u>(118,579)</u>
Modified Cash Basis - Other Financing Sources (Uses)	<u><u>\$ 356,421</u></u>

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

June 30, 2012

NELSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

	EMS	Solid Waste	Landfill	PIC
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 210,208	\$ 101,828	\$ 656,370	\$ 1,255
Investments			3,781,346	
Land Held for Resale				3,001,477
Total Current Assets	<u>210,208</u>	<u>101,828</u>	<u>4,437,716</u>	<u>3,002,732</u>
Noncurrent Assets:				
Deferred Bond Charges				215,416
Land			1,179,946	124,654
Land Improvements			9,124,714	506,683
Buildings	286,094		453,662	14,497,262
Vehicles	643,099	1,272,454	1,524,220	256,901
Computers	73,503		6,575	
Equipment	741,242	270,623	1,089,967	1,174,233
Less Accumulated Depreciation	<u>(1,116,083)</u>	<u>(824,299)</u>	<u>(9,036,611)</u>	<u>(7,437,242)</u>
Total Noncurrent Assets	<u>627,855</u>	<u>718,778</u>	<u>4,342,473</u>	<u>9,337,907</u>
Total Assets	<u>838,063</u>	<u>820,606</u>	<u>8,780,189</u>	<u>12,340,639</u>
LIABILITIES				
Current Liabilities:				
Capital Leases				15,561
Bonds, Notes, and Loans Payable				625,000
Total Current Liabilities				<u>640,561</u>
Noncurrent Liabilities:				
Capital Leases				123,144
Bonds, Notes, and Loans Payable				10,323,301
Total Noncurrent Liabilities				<u>10,446,445</u>
Total Liabilities				<u>11,087,006</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	627,855	718,778	4,342,473	1,069,202
Restricted				
Infrastructure			3,781,346	
Unrestricted	210,208	101,828	656,370	184,431
Total Net Assets	<u>838,063</u>	<u>820,606</u>	<u>8,780,189</u>	<u>1,253,633</u>
Total Net Assets & Liabilities	<u>\$ 838,063</u>	<u>\$ 820,606</u>	<u>\$ 8,780,189</u>	<u>\$ 12,340,639</u>

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

NELSON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012
(Continued)

Jail Canteen - Non Major Fund	Total Proprietary Funds
\$ 31,893	\$ 1,001,554
	3,781,346
	3,001,477
<u>31,893</u>	<u>7,784,377</u>
	215,416
	1,304,600
	9,631,397
	15,237,018
	3,696,674
	80,078
	3,276,065
	(18,414,235)
	<u>15,027,013</u>
<u>31,893</u>	<u>22,811,390</u>
	15,561
	<u>625,000</u>
	<u>640,561</u>
	123,144
	<u>10,323,301</u>
	<u>10,446,445</u>
	<u>11,087,006</u>
	6,758,308
	3,781,346
<u>31,893</u>	<u>1,184,730</u>
<u>31,893</u>	<u>11,724,384</u>
<u>\$ 31,893</u>	<u>\$ 22,811,390</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, 2012

NELSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	<u>EMS</u>	<u>Solid Waste</u>	<u>Landfill</u>
Operating Revenues			
Intergovernmental Revenues	\$ 73,131	\$ 94,089	\$ 3,000
Charges for Services	1,902,108	1,772,974	2,047,422
Other	4,000	10,624	1,167
Total Operating Revenues	<u>1,979,239</u>	<u>1,877,687</u>	<u>2,051,589</u>
Operating Expenses			
General Government			
Public Protection	2,006,559		
General Health & Sanitation:			
Landfill			1,512,394
Solid Waste		1,678,695	
Depreciation	161,929	128,481	685,712
Total Operating Expenses	<u>2,168,488</u>	<u>1,807,176</u>	<u>2,198,106</u>
Operating Income (Loss)	(189,249)	70,511	(146,517)
Nonoperating Revenues (Expenses)			
Gain (Loss) on Disposal of Assets		(7,392)	
Interest and Investment Revenue	129	161	96,736
Deferred Bond Charges			
Interest Expense			
Total Nonoperating Revenues (Expenses)	<u>129</u>	<u>(7,231)</u>	<u>96,736</u>
Net Income (Loss) Before Transfers and Contributions	(189,120)	63,280	(49,781)
Transfers In	375,000		
Transfers Out		(100,000)	(345,584)
Change in Net Assets	<u>185,880</u>	<u>(36,720)</u>	<u>(395,365)</u>
Total Net Assets - Beginning	652,183	857,326	9,175,554
Total Net Assets - Ending	<u>\$ 838,063</u>	<u>\$ 820,606</u>	<u>\$ 8,780,189</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, 2012
(Continued)

PIC	Jail Canteen - Non Major Fund	Total Proprietary Funds
\$	\$	\$
358,521	216,712	170,220
6,706	78,249	6,297,737
<u>\$ 365,227</u>	<u>294,961</u>	<u>100,746</u>
27,408		27,408
	294,094	2,300,653
		1,512,394
		1,678,695
668,580		1,644,702
<u>695,988</u>	<u>294,094</u>	<u>7,163,852</u>
(330,761)	867	(595,149)
		(7,392)
	147	97,173
(19,584)		(19,584)
<u>(251,630)</u>		<u>(251,630)</u>
<u>(271,214)</u>	<u>147</u>	<u>(181,433)</u>
(601,975)	1,014	(776,582)
50,000		425,000
<u>(58,000)</u>		<u>(503,584)</u>
<u>(609,975)</u>	<u>1,014</u>	<u>(855,166)</u>
1,863,608	30,879	12,579,550
<u>\$ 1,253,633</u>	<u>\$ 31,893</u>	<u>\$ 11,724,384</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, 2012

NELSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2012

	EMS	Solid Waste	Landfill
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,906,108	\$ 1,783,598	\$ 2,048,589
Payments to Suppliers	(826,433)	(1,194,183)	(929,867)
Payments to Employees	(1,180,126)	(484,512)	(582,527)
Other Receipts	73,131	94,089	3,000
Net Cash Provided (Used) by Operating Activities	<u>(27,320)</u>	<u>198,992</u>	<u>539,195</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (To)/From Other Funds	<u>375,000</u>	<u>(100,000)</u>	<u>(345,584)</u>
Net Cash Provided by Noncapital Financing	<u>375,000</u>	<u>(100,000)</u>	<u>(345,584)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets	(238,645)	(101,420)	(216,773)
Principal Paid on Capital Debt			
Interest Paid on Capital Debt			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(238,645)</u>	<u>(101,420)</u>	<u>(216,773)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	129	161	96,736
Investment Purchases			(342,650)
Net Cash Provided (Used) by Investing Activities	<u>129</u>	<u>161</u>	<u>(245,914)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	109,164	(2,267)	(269,076)
Cash and Cash Equivalents - July 1	<u>101,044</u>	<u>104,095</u>	<u>925,446</u>
Cash and Cash Equivalents - June 30	<u>\$ 210,208</u>	<u>\$ 101,828</u>	<u>\$ 656,370</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(189,249)	70,511	(146,517)
Adjustments To Reconcile Operating Income To Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	<u>161,929</u>	<u>128,481</u>	<u>685,712</u>
Net cash provided by operating activities	<u>\$ (27,320)</u>	<u>\$ 198,992</u>	<u>\$ 539,195</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, 2012
(Continued)

PIC	Jail Canteen - Non Major Fund	Total Proprietary Funds
\$ 365,227	\$ 294,961	\$ 6,398,483
(27,408)	(294,094)	(3,271,985)
		(2,247,165)
		170,220
<u>337,819</u>	<u>867</u>	<u>1,049,553</u>
<u>(8,000)</u>		<u>(78,584)</u>
<u>(8,000)</u>		<u>(78,584)</u>
		(556,838)
(79,376)		(79,376)
(251,630)		(251,630)
<u>(331,006)</u>		<u>(887,844)</u>
	147	97,173
		(342,650)
	<u>147</u>	<u>(245,477)</u>
(1,187)	1,014	(162,352)
2,442	30,879	1,163,906
<u>\$ 1,255</u>	<u>\$ 31,893</u>	<u>\$ 1,001,554</u>
(330,761)	867	(595,149)
668,580		1,644,702
<u>\$ 337,819</u>	<u>\$ 867</u>	<u>\$ 1,049,553</u>

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

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NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 NCPIC requires approval by Fiscal Court.	Public Improvements Corporation

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(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 presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

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:

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

- 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, 2012, the County had 9 funds, electing to classify 8 of those as major. Major funds include General, Road, Jail, LGEA, EMS, Solid Waste, Landfill, and Public Improvements Corporation. Nonmajor fund includes the Jail Canteen.

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.
Jail	Accounts for operation of the County Jail. Revenues are derived from various state funding sources and transfers from the General Fund.
Local Government Economic Assistance	Accounts for the revenues distributed to Kentucky counties under KRS 42.455 and expenditures for certain county road maintenance projects.

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:

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(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>
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.
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	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.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Government-Wide Statements (Continued)

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

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

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

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

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, 2012
(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 (OLF) 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.
- 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, 2012
(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, 2012, 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, 2012.

- 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, 2012, 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, 2012 the principal balance due was \$9,942.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(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, 2012, the principal balance due was \$797.

On September 26, 2011, the Fiscal Court authorized a \$250,000 line of credit to Central Dispatch. These funds will assist Central Dispatch with GPS mapping while upgrading the telephone and recording systems. These improvements will allow mobile 911 calls to be answered in Nelson County. Central Dispatch will repay this line of credit over 30 months beginning October 2012. As of June 30, 2012, the Fiscal Court had loaned \$203,585 to Central Dispatch.

On November 15, 2011, the Fiscal Court granted a \$25,000 loan to the Kentucky Railway Museum. The museum incurred flood damage and was declared a disaster area, thus eligible for Federal Emergency Management Assistance (FEMA) funds. To expedite repairs, the court voted to provide the funds in advance. As of June 30, 2012, FEMA had not reimbursed the museum for their loss.

Note 4. Land For Resale

In July 2004, Nelson County Fiscal Court purchased 424 acres for the original purchase price of \$3,197,674 to develop the Nelson County Industrial Park, located near the intersection of the Martha Layne Collins Parkway and US Highway 150. As of June 30, 2012, the value of the remaining land available for resale is \$3,001,477. During the last seven 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, 2012, the County has spent a total of \$5,143,947 on this development.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Capital Assets

Capital asset activity resulting from modified cash basis transactions, for the fiscal year ended June 30, 2012, was as follows:

	Restated Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental Activities:				
Land	\$ 1,684,346	\$	\$	\$ 1,684,346
Land Improvements	1,356,847			1,356,847
Buildings	12,588,415	1,110,474		13,698,889
Vehicles	2,171,876	81,982	(139,121)	2,114,737
Computers	90,665			90,665
Equipment	945,295	132,616		1,077,911
Infrastructure	94,273,163	1,102,691		95,375,854
Totals at Historical Cost	113,110,607	2,427,763	(139,121)	115,399,249
Land Improvements	(1,135,782)	(61,897)		(1,197,679)
Buildings	(9,567,437)	(243,325)		(9,810,762)
Vehicles	(1,768,058)	(125,016)	139,121	(1,753,953)
Computers	(62,201)	(7,117)		(69,318)
Equipment	(621,409)	(80,270)		(701,679)
Infrastructure	(78,511,893)	(2,974,881)		(81,486,774)
Total Accumulated Depreciation	(91,666,780)	(3,492,506)	139,121	(95,020,165)
Governmental Activities Capital Assets, Net	\$ 21,443,827	\$ (1,064,743)	\$ 0	\$ 20,379,084
Business-Type Activities:				
Land	\$ 1,304,600	\$	\$	\$ 1,304,600
Land Improvements	9,628,459	2,938		9,631,397
Buildings	15,228,296	8,722		15,237,018
Vehicles	3,242,831	476,963	(23,120)	3,696,674
Computers	80,078			80,078
Equipment	2,033,617	68,216		2,101,833
Infrastructure	1,174,232			1,174,232
Totals at Historical Cost	32,692,113	556,839	(23,120)	33,225,832
Land Improvements	(6,624,161)	(575,693)		(7,199,854)
Buildings	(6,094,300)	(427,715)		(6,522,015)
Vehicles	(1,408,354)	(296,437)	15,728	(1,689,063)
Computers	(63,815)	(4,232)		(68,047)
Equipment	(1,698,306)	(137,554)		(1,835,860)
Infrastructure	(896,325)	(203,071)		(1,099,396)
Less Accumulated Depreciation:	(16,785,261)	(1,644,702)	15,728	(18,414,235)
Business-Type Activities Capital Assets, Net	\$ 15,906,852	\$ (1,087,863)	\$ (7,392)	\$ 14,811,597

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Capital Assets (Continued)

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

Governmental Activities

General Government	\$ 116,144
Public Protection:	
Jail	30,739
Law Enforcement	106,085
Building Inspection	2,342
Emergency Management	3,774
General Health & Sanitation	14,499
Recreation & Culture	174,513
Road Maintenance	3,044,410
	<u>\$ 3,492,506</u>

Business-Type Activities

General Government	\$ 446,182
Public Protection	181,254
General Health & Sanitation	814,195
Road Maintenance	203,071
	<u>\$ 1,644,702</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, 2012, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
GOVERNMENTAL ACTIVITIES:					
Bond and Notes Payable:					
2007 GO Bonds	\$ 735,000	\$	\$ (110,000)	\$ 625,000	\$ 115,000
Governmental Activities					
Long-term Liabilities	<u>\$ 735,000</u>	<u>\$</u>	<u>\$ (110,000)</u>	<u>\$ 625,000</u>	<u>\$ 115,000</u>

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(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	\$	\$ (39,356)	\$ 2,818,301	\$
Justice Center-2003	250,000		(15,000)	235,000	15,000
Justice Center -2011	7,905,000		(10,000)	7,895,000	610,000
Total bonds & notes	11,012,657		(64,356)	10,948,301	625,000
Capital Leases:					
Airport Main Hangar	55,000		(5,000)	50,000	5,000
New Hope Fire Truck	98,725		(10,020)	88,705	10,561
Total Capital Leases	153,725		(15,020)	138,705	15,561
Business-type Activities					
Long-term Liabilities	\$ 11,166,382	\$ 0	\$ (79,376)	\$ 11,087,006	\$ 640,561

The GO Bond interest of \$27,201 was include as Governmental Activities, General Government on the Statement of Activities. The Business-Type Activities long-term debt interest of \$251,630 was included as General Government on the Statement of Activities.

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 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, 2012, the interest rate was 5.28%. Interest is payable monthly and principal is paid annually.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Long-term Debt (Continued)

Business-type Activities (Continued)

- ii) 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, 2012 was \$7,895,000.
- 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, 2012, are as follows:

<u>YEAR ENDED</u> <u>JUNE 30</u>	<u>BONDS & NOTES</u>		<u>LEASES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013	\$ 740,000	\$ 243,898	\$ 15,561	\$ 6,403
2014	3,613,301	994,233	15,968	5,664
2015	810,000	214,618	16,390	4,906
2016	830,000	195,605	16,828	4,133
2017	845,000	175,465	17,283	3,337
2018 - 2022	3,880,000	549,123	56,676	5,515
2023 - 2026	855,000	31,005		
Totals	<u>\$ 11,573,301</u>	<u>\$ 2,403,947</u>	<u>\$ 138,706</u>	<u>\$ 29,958</u>

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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, 2012.

<u>FUND</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 580,984	\$ (1,791,212)
Road	475,000	
Jail	813,812	
EMS	375,000	
Solid Waste		(100,000)
Landfill		(345,584)
PIC	50,000	(58,000)
Totals	<u>\$ 2,294,796</u>	<u>\$ (2,294,796)</u>

The County transfers occupational license tax revenues as needed to support operations of the County Road Department and the EMS. Transfers from the Solid Waste and Landfill represent reimbursements for administrative costs and road maintenance. The Landfill also transferred funds to the General Fund for equipment and technical upgrades to Central Dispatch/911. These funds will be refunded by Central Dispatch over a 48 month period. Transfers to the PIC fund reduced the County's debt on the Salt River Note Payable. Transfers from the PIC fund to the Landfill resulted from a reduction of allocated costs incurred at the Industrial Park that were originally funded by the Landfill.

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 18.96 percent.

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 35.76 percent.

The county's contribution for FY 2010 was \$1,113,720, FY 2011 was \$1,187,788, and FY 2012 was \$1,323,206.

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.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 8. Employee Retirement System (Continued)

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

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.

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, 2012, County engineers estimate that \$6,528,232 will be required for landfill closure cost and for post-closure care liability. Approximately 52% of the landfill airspace capacity had been used as of June 30, 2012. \$3,781,346 has been set aside in a restricted reserve to accumulate funds required to finance closure and post-closure monitoring.

NELSON COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 9. Commitments and Contingencies (Continued)

Filling activities within the contained landfill began in 1995. The original design was estimated to last 30 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 closure would be approximately in 2025-2028. No cost related to closure or post-closure 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. During FY 2012, the County paid \$17,804 in claims and judgments.

Note 11. Prior Period Adjustment

Beginning net assets of governmental activities has been decreased by \$1 for a capital asset change.

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NELSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NELSON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2012

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Homeland Security</u>		
Passed Through State Department of Military Affairs Emergency Management Performance Grants (CFDA # 97.042)	PON2 095 1100000669 1	\$ 5,528
Passed Through State Department of Military Affairs Emergency Management Performance Grants (CFDA # 97.042)	PON2 095 1200000383 1	16,159
Passed Through Kentucky Office of Homeland Security Homeland Security Grant Program (CFDA # 97.067)	PO2 094 1200003056 1	<u>24,000</u>
Total U.S. Department of Homeland Security		<u>45,687</u>
<u>U.S. Department of Justice</u>		
Direct Programs		
State Criminal Alien Assistance Program (CFDA # 16.606)		580
Public Safety Partnership and Community Policing Grants (CFDA # 16.710)		22,815
Edward Byrne Memorial Justice Assistance Grant (JAG) Program (CFDA # 16.738)	N/A	<u>29,752</u>
Total U.S. Department of Justice		<u>53,147</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Kentucky Department for Local Government Community Development Block Grant/State's Program (CFDA # 14.228)	PON2 112 1100002900 1	<u>485,000</u> *
Total Expenditures of Federal Awards		<u>\$ 583,834</u>

* Tested as a major program.

See note to this schedule.

NELSON COUNTY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2012

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal activity of Nelson County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

NELSON COUNTY
BUDGETARY COMPARISON INFORMATION - OTHER FUNDS
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

NELSON COUNTY
BUDGETARY COMPARISON INFORMATION - OTHER FUNDS
Other Information - Modified Cash Basis
EMS FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 10,500	\$ 72,500	\$ 73,131	\$ 631
Charges for Services	1,750,000	1,750,000	1,902,108	152,108
Other	2,500	2,500	4,000	1,500
Interest	400	400	129	(271)
Total Revenues	<u>1,763,400</u>	<u>1,825,400</u>	<u>1,979,368</u>	<u>153,968</u>
Expenditures				
Public Protection	1,979,100	2,031,900	2,006,559	25,341
Capital Projects	210,000	240,000	238,645	1,355
Contingencies	67,300	46,500		46,500
Total Expenditures	<u>2,256,400</u>	<u>2,318,400</u>	<u>2,245,204</u>	<u>73,196</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(493,000)	(493,000)	(265,836)	227,164
Other Financing Sources (Uses):				
Transfers In	375,000	375,000	375,000	
Total Other Financing Sources (Uses)	<u>375,000</u>	<u>375,000</u>	<u>375,000</u>	
Net Changes in Fund Balances	(118,000)	(118,000)	109,164	227,164
Fund Balance, July 1, 2011	<u>118,000</u>	<u>118,000</u>	<u>101,044</u>	<u>(16,956)</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,208</u>	<u>\$ 210,208</u>

NELSON COUNTY
BUDGETARY COMPARISON INFORMATION - OTHER FUNDS
Other Information - Modified Cash Basis
SOLID WASTE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$ 82,500	\$ 82,500	\$ 94,089	\$ 11,589
Charges for Services	1,765,000	1,765,000	1,772,974	7,974
Other	8,500	8,500	10,624	2,124
Interest	100	100	161	61
Total Revenues	<u>1,856,100</u>	<u>1,856,100</u>	<u>1,877,848</u>	<u>21,748</u>
Expenditures				
General Health & Sanitation	1,739,500	1,740,500	1,678,695	61,805
Capital Projects	60,000	101,600	101,420	180
Contingencies	18,600	14,000		14,000
Total Expenditures	<u>1,818,100</u>	<u>1,856,100</u>	<u>1,780,115</u>	<u>75,985</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	38,000		97,733	97,733
Other Financing Sources (Uses):				
Transfers Out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Changes in Fund Balances	(62,000)	(100,000)	(2,267)	97,733
Fund Balance, July 1, 2011	<u>62,000</u>	<u>100,000</u>	<u>104,095</u>	<u>4,095</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 101,828</u>	<u>\$ 101,828</u>

NELSON COUNTY
BUDGETARY COMPARISON INFORMATION - OTHER FUNDS
Other Information - Modified Cash Basis
LANDFILL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Intergovernmental Revenues	\$	\$	\$ 3,000	\$ 3,000
Charges for Services	2,017,200	2,017,200	2,047,422	30,222
Other	500	500	1,167	667
Interest	60,000	60,000	96,736	36,736
Total Revenues	<u>2,077,700</u>	<u>2,077,700</u>	<u>2,148,325</u>	<u>70,625</u>
Expenditures				
General Health & Sanitation	1,543,100	1,590,000	1,512,394	77,606
Capital Projects	275,000	275,000	216,773	58,227
Closure reserves	985,600	718,700	342,650	376,050
Total Expenditures	<u>2,803,700</u>	<u>2,583,700</u>	<u>2,071,817</u>	<u>511,883</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(726,000)	(506,000)	76,508	582,508
Other Financing Sources (Uses):				
Transfers Out	<u>(200,000)</u>	<u>(420,000)</u>	<u>(345,584)</u>	<u>74,416</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(420,000)</u>	<u>(345,584)</u>	<u>74,416</u>
Net Changes in Fund Balances	(926,000)	(926,000)	(269,076)	656,924
Fund Balance, July 1, 2011	<u>926,000</u>	<u>926,000</u>	<u>925,446</u>	<u>(554)</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 656,370</u>	<u>\$ 656,370</u>

NELSON COUNTY
BUDGETARY COMPARISON INFORMATION - OTHER FUNDS
Other Information - Modified Cash Basis
PIC FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Charges for Services	\$ 988,400	\$ 988,400	\$ 358,521	\$ (629,879)
Other	4,000	4,000	6,706	2,706
Total Revenues	<u>992,400</u>	<u>992,400</u>	<u>365,227</u>	<u>(627,173)</u>
Disbursements				
General Government	29,000	29,000	27,408	1,592
Debt Service:				
Principal	525,300	525,300	79,376	445,924
Interest	435,500	435,500	251,630	183,870
Contingencies	54,800	54,800		54,800
Total Disbursements	<u>1,044,600</u>	<u>1,044,600</u>	<u>358,414</u>	<u>686,186</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(52,200)	(52,200)	6,813	59,013
Other Financing Sources (Uses):				
Transfers In	50,000	50,000	50,000	
Transfers Out			(58,000)	(58,000)
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>(8,000)</u>	<u>(58,000)</u>
Net Changes in Fund Balances	(2,200)	(2,200)	(1,187)	1,013
Fund Balance, July 1, 2011	<u>2,200</u>	<u>2,200</u>	<u>2,442</u>	<u>242</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,255</u>	<u>\$ 1,255</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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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, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 25, 2013. 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 the Nelson County Fiscal Court's is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Nelson County Fiscal Court'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 the Nelson County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nelson County Fiscal Court'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 as of and for the year ended June 30, 2012 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, the Department for Local Government, federal awarding agencies, and pass-through entities 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 25, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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E-MAIL: wtichenor@tichenorassociates.com

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

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Nelson County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Nelson County's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Nelson County Fiscal Court. Our responsibility is to express an opinion on Nelson County's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nelson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nelson County's compliance with those requirements.

In our opinion, Nelson County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Nelson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Nelson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nelson County's internal control over compliance.

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities 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

January 25, 2013

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

For The Year Ended June 30, 2012

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

Fiscal Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Nelson County.
2. No significant deficiencies relating to the audit of the financial statement are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Nelson County were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal awards program are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Nelson County expresses an unqualified opinion.
6. There are no finding relative to the major federal awards programs for Nelson County reported in Part C of this schedule.
7. The programs tested as major programs were: Community Development Block Grant/State's Program (CFDA #14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Nelson County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no matters to report.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

There were no matters to report.

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

NELSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2012**

Appendix A

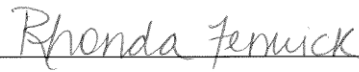
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
NELSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

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

