

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

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE NELSON COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Nelson County Fiscal Court for fiscal year ended June 30, 2014.

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

Financial Condition:

The Nelson County Fiscal Court had total receipts of \$20,022,803 and disbursements of \$19,427,039 in fiscal year 2014. This resulted in a total ending fund balance of \$7,721,904, which is an increase of \$595,764 from the prior year.

Report Comment:

2014-001 The Fiscal Court Should Prepare An Accurate And Complete Financial Statement

Deposits:

The fiscal court's deposits on August 31, 2013, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$1,496

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
NELSON COUNTY OFFICIALS	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	6
NOTES TO FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES	23
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	31
SCHEDULE OF CAPITAL ASSETS	35
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	36
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	39
COMMENT AND RECOMMENDATION	43
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Nelson County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Nelson County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Nelson County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Nelson County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. 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 statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2015 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.

Based on the results of our audit, we present the accompanying comment and recommendation, which discusses the following report comment:

2014-001 The Fiscal Court Should Prepare An Accurate And Complete Financial Statement

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 22, 2015

NELSON COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

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

Other Elected Officials:

Matthew Hite	County Attorney
Dorcas Figg	Jailer
Elaine Filiatreau	County Clerk
Diane Thompson	Circuit Court Clerk
Stephen Campbell	Sheriff
Barbara Tichenor	Property Valuation Administrator
Field Houghlin	Coroner

Appointed Personnel:

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

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

For The Year Ended June 30, 2014

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

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 5,102,495	\$	\$
Excess Fees	575,190		
Licenses and Permits	338,657		
Intergovernmental	543,937	2,995,522	457,130
Charges for Services	10,733		92,832
Miscellaneous	445,632	16,863	17,771
Interest	837	27	
Total Receipts	<u>7,017,481</u>	<u>3,012,412</u>	<u>567,733</u>
DISBURSEMENTS			
General Government	1,254,972		
Protection to Persons and Property	1,812,442		1,362,222
General Health and Sanitation	787,589		
Social Services	163,694		
Recreation and Culture	470,175		
Roads	49,361	2,611,874	
Bus Services	219,296		
Other Transportation Facilities and Services			
Debt Service	138,570		
Capital Projects			
Administration	1,538,126	290,895	277,184
Total Disbursements	<u>6,434,225</u>	<u>2,902,769</u>	<u>1,639,406</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>583,256</u>	<u>109,643</u>	<u>(1,071,673)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	347,500	50,000	1,071,673
Transfers To Other Funds	<u>(1,071,673)</u>		
Total Other Adjustments to Cash (Uses)	<u>(724,173)</u>	<u>50,000</u>	<u>1,071,673</u>
Net Change in Fund Balance	(140,917)	159,643	
Fund Balance - Beginning	814,439	505,545	
Fund Balance - Ending	<u>\$ 673,522</u>	<u>\$ 665,188</u>	<u>\$ 0</u>
Composition of Fund Balance			
Bank Balance	\$ 683,234	\$ 665,188	\$
Plus: Deposits In Transit			
Less: Outstanding Checks	(9,712)		
Certificate of Deposits			
Fund Balance - Ending	<u>\$ 673,522</u>	<u>\$ 665,188</u>	<u>\$ 0</u>

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

NELSON COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND BALANCES - REGULATORY BASIS
 For The Year Ended June 30, 2014
 (Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Emergency Medical Services Fund	Solid Waste Fund	Landfill Fund	Occupational License Fee Fund
\$	\$	\$	\$	\$ 1,178,568
188,571	100,000	49,696		
	1,939,268	2,044,640	2,167,849	
	4,980	8,500	249,009	
		344	34,440	549
<u>188,571</u>	<u>2,044,248</u>	<u>2,103,180</u>	<u>2,451,298</u>	<u>1,179,117</u>
				133,870
	1,752,633			
		1,621,393	1,264,352	
				134,563
				4,800
209,836				
	518,542	261,360	295,102	12,556
<u>209,836</u>	<u>2,271,175</u>	<u>1,882,753</u>	<u>1,559,454</u>	<u>285,789</u>
<u>(21,265)</u>	<u>(226,927)</u>	<u>220,427</u>	<u>891,844</u>	<u>893,328</u>
	300,000			
		(100,000)	(302,524)	(1,097,500)
	300,000	(100,000)	(302,524)	(1,097,500)
(21,265)	73,073	120,427	589,320	(204,172)
182,422	177,164	74,288	5,042,350	300,699
<u>\$ 161,157</u>	<u>\$ 250,237</u>	<u>\$ 194,715</u>	<u>\$ 5,631,670</u>	<u>\$ 96,527</u>
\$ 161,157	\$ 250,237	\$ 194,715	\$ 1,189,798	\$ 96,527
			(107)	
			4,441,979	
<u>\$ 161,157</u>	<u>\$ 250,237</u>	<u>\$ 194,715</u>	<u>\$ 5,631,670</u>	<u>\$ 96,527</u>

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

NELSON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Public Improvements Corporation Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 6,281,063
Excess Fees			575,190
Licenses and Permits			338,657
Intergovernmental			4,334,856
Charges for Services			6,255,322
Miscellaneous	1,235,859	222,871	2,201,485
Interest		33	36,230
Total Receipts	<u>1,235,859</u>	<u>222,904</u>	<u>20,022,803</u>
DISBURSEMENTS			
General Government	29,503		1,418,345
Protection to Persons and Property			4,927,297
General Health and Sanitation			3,673,334
Social Services			163,694
Recreation and Culture		203,039	807,777
Roads			2,661,235
Bus Services			219,296
Other Transportation Facilities and Services			4,800
Debt Service	1,361,742		1,710,148
Capital Projects	647,348		647,348
Administration			3,193,765
Total Disbursements	<u>2,038,593</u>	<u>203,039</u>	<u>19,427,039</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(802,734)</u>	<u>19,865</u>	<u>595,764</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	802,524		2,571,697
Transfers To Other Funds			(2,571,697)
Total Other Adjustments to Cash (Uses)	<u>802,524</u>		<u></u>
Net Change in Fund Balance	(210)	19,865	595,764
Fund Balance - Beginning	860	28,373	7,126,140
Fund Balance - Ending	<u>\$ 650</u>	<u>\$ 48,238</u>	<u>\$ 7,721,904</u>
Composition of Fund Balance			
Bank Balance	\$ 650	\$ 49,944	\$ 3,291,450
Deposits In Transit		1,575	1,575
Less Outstanding Checks		(3,281)	(13,100)
Certificate of Deposits			4,441,979
Ending Fund Balance	<u>\$ 650</u>	<u>\$ 48,238</u>	<u>\$ 7,721,904</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS.....	13
NOTE 3.	TRANSFERS	13
NOTE 4.	AGENCY TRUST FUNDS.....	14
NOTE 5.	LAND HELD FOR RESALE.....	14
NOTE 6.	NOTES RECEIVABLE.....	14
NOTE 7.	LONG-TERM DEBT.....	15
NOTE 8.	COMMITMENTS AND CONTINGENCIES	18
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM	19
NOTE 10.	HEALTH REIMBURSEMENT ACCOUNT	20
NOTE 11.	INSURANCE	20

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

Generally 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 sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for receipts distributed to counties under KRS 42.455 and expenditures for certain county road maintenance projects. The primary sources of receipts for this fund are grants from the state and federal governments.

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

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

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

Occupational License Fee Fund - The primary purpose of this fund is to account for all activity under the Occupational License Fee Ordinance, effective January 1, 1991. The maximum fee paid by any individual, partner, shareholder, or regular corporation is \$75 per year. Disbursements provide support for emergency services, additional funding for road maintenance, and economic development.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Improvements Corporation Fund - The primary purpose of this fund is to account for the leasing, maintenance, and debt service on various county properties leased to commercial entities, other governmental agencies, and the public. The primary source of receipts is rental income.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

D. Budgetary Information

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Improvements Corporation Fund to be budgeted. However, Nelson County Fiscal Court includes the fund in the annual budget.

E. Nelson County Elected Officials

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

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

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in 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).

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

Note 2. Deposits

The fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(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 fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the fiscal court's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). On August 31, 2013, the fiscal court's bank balance was exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$1,496

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Solid Waste Fund	Landfill Fund	Occupational Tax Fund	Total Transfers In
General Fund	\$	\$ 50,000	\$ 200,000	\$ 97,500	\$ 347,500
Road Fund		50,000			50,000
Jail Fund	1,071,673				1,071,673
EMS				300,000	300,000
PIC			102,524	700,000	802,524
Total Transfers Out	<u>\$ 1,071,673</u>	<u>\$ 100,000</u>	<u>\$ 302,524</u>	<u>\$ 1,097,500</u>	<u>\$ 2,571,697</u>

Reason for transfers:

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Agency Trust Funds

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

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds due to inmates upon release. The balance in the Jail Inmate Fund as of June 30, 2014 was \$15,036. This fund is maintained at the Jail and is accounted for within the Jail Commissary Fund.

Encroachment Fund - This fund accounts for funds received for encroachment permits administered by the county. The funds are held in an escrow account. The balance in the Encroachment Fund as of June 30, 2014 was \$63,500.

Health Reimbursement Account Fund - This fund accounts for employee and employer contributions to reimburse employees for health care expenses.

Note 5. Land Held For Resale

In July 2004, Nelson County Fiscal Court purchased 424 acres to develop Nelson County Industrial Park, located near the intersection of the Martha Layne Collins Parkway and US Highway 150. The property was purchased for \$3,197,674. During the last six years, infrastructure additions have been made to develop the property, including a water tank, initial sewer line installation, and the completion of Parkway Drive. During fiscal year 2014, 19.1 acres of land held for resale was sold for \$203,926. As of June 30, 2014, the County has spent a total of \$5,143,947 on this development.

Note 6. Notes Receivable

A. Roberts Road/Bellwood Road Waterlines Notes

Notes were issued to property owners who wanted to participate in waterline improvements for their neighborhoods and agreed to repay Nelson County for advances to install the waterlines. Several outstanding loans from property owners have been written off as uncollectible. The following notes with property owners remain as of June 30, 2014.

1. The county loaned \$2,500 each to five residents and \$1,800 to one resident of the Roberts Road Area on May 1, 1997, for the purpose of providing waterlines to their homes. These notes bear interest at the rate of 7% per year. Terms of the agreements stipulate monthly payments of \$29.03 until April 30, 2007. As of June 30, 2014, the principal balance due was \$471.
2. 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 the rate of 6% per year. Terms of the agreements stipulate monthly payments of \$29.08 until February 28, 2013. As of June 30, 2014, the principal balance due was \$6,901.
3. 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 \$24.32 until November 30, 2007. As of June 30, 2014, the principal balance due was \$797.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Notes Receivable (Continued)

B. Central Dispatch Line Of Credit

As of June 30, 2014, Fiscal Court has authorized a \$410,000 line of credit to Central Dispatch. These funds will assist Central Dispatch with GPS mapping, required upgrades for telephones, recording systems, and digital radios and repeaters. Central Dispatch is repaying this credit line at \$4,500 per month. As of June 30, 2014, the fiscal court had loaned \$333,888; the balance due to Fiscal Court as of year-end totaled \$279,888.

C. Kentucky Railway Museum

On November 15, 2011, the Fiscal Court granted a \$25,000 loan to the Kentucky Railway Museum (KRM). The museum incurred flood damage and was declared a disaster area, thus eligible for Federal Emergency Management Assistance (FEMA) funds. To expedite repairs, the court voted to provide the funds in advance. As of June 30, 2014, the loan balance due was \$22,500.

D. Nelson County Fair Board

On September 10, 2013, the Fiscal Court granted a \$62,445 loan to the Nelson County Fair Board. These funds will assist Nelson County Fair Board to purchase bleachers for the fairgrounds. As of June 30, 2014, Nelson County Fair Board has not repaid this loan to the Fiscal Court.

Note 7. Long-term Debt

A. General Obligation Bonds

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

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 125,000	\$ 14,010
2016	130,000	9,068
2017	135,000	3,998
Totals	<u>\$ 390,000</u>	<u>\$ 27,076</u>

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Long-term Debt (Continued)

B. Nelson County Public Improvements Corporation (Continued)

1. Land Held For Resale

On July 26, 2004, the Nelson County Fiscal Court entered into an agreement to borrow \$3,175,174 from Salt River Electric Cooperative Corporation to purchase 424 acres of land for development as the Nelson County Industrial Park. Both parties exercised the option to extend the due date on July 26, 2014 for five years. Principal is due and payable on or before July 25, 2019, with the option to extend the due date for an additional five year period. The note currently bears interest at 1.27%, 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. During fiscal year 2014, 19.1 acres of land held for resale was sold. Nelson County Fiscal Court paid \$351,572 and \$102,354 towards the loan principal and interest respectively. The principal balance as of June 30, 2014 is \$2,271,685.

2. Lease Agreement – Airport Hanger

On April 30, 2002, the Nelson County Fiscal Court, on behalf of the Bardstown/Nelson County Air Board, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$100,000 for construction of an airport hangar. This lease has a variable interest rate that is adjusted annually. During the fiscal year, the Fiscal Court received \$7,267 in principal and interest from the Air Board. The Fiscal Court then paid the debt service to the trustee. Future principal and interest payments are scheduled as follows:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 5,000	\$ 2,003
2016	5,000	1,738
2017	5,000	1,474
2018	5,000	1,298
2019	5,000	946
2020-2022	15,000	1,254
Totals	\$ 40,000	\$ 8,713

3. Lease Agreement – Fire Truck

On October 22, 2007, the Nelson County Fiscal Court, on behalf of the New Hope Fire Department, entered into a lease agreement with Kentucky Association of Counties Leasing Trust. The lease provided \$131,900 at a fixed interest rate of 4.63% for 144 months to purchase a fire truck for the New Hope Fire Department. During the fiscal year, the Court received \$14,377 in principal and interest from the Fire Department. The Fiscal Court then paid the debt service to the trustee.

Future principal and interest payments are scheduled as follows:

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Long-term Debt (Continued)

B. Nelson County Public Improvements Corporation (Continued)

3. Lease Agreement – Fire Truck (Continued)

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 11,477	\$ 2,902
2016	12,043	2,333
2017	12,614	1,762
2018	13,211	1,165
2019	13,836	540
2020	4,107	36
Totals	<u>\$ 67,288</u>	<u>\$ 8,738</u>

C. Nelson County Public Properties Corporation

1. Justice Center Series 2011 Bonds

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

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 665,000	\$ 192,008
2016	680,000	178,708
2017	690,000	164,428
2018	705,000	148,903
2019	730,000	129,515
2020-2023	<u>3,160,000</u>	<u>278,830</u>
Totals	<u>\$ 6,630,000</u>	<u>\$ 1,092,392</u>

2. Justice Center Series 2002B

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 the bond issue provided funds for the completion of the Nelson County Justice Center. Future principal and interest payments are scheduled as follows:

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Long-term Debt (Continued)

C. Nelson County Public Properties Corporation

2. Justice Center Series 2002B (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 20,000	\$ 8,600
2016	20,000	7,830
2017	20,000	7,040
2018	20,000	6,230
2019	20,000	5,400
2020-2023	<u>100,000</u>	<u>11,250</u>
Totals	<u>\$ 200,000</u>	<u>\$ 46,350</u>

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 510,000	\$ 120,000	\$ 390,000	\$ 125,000
Revenue Bonds	7,505,000	675,000	6,830,000	685,000
Financing Obligations	<u>2,746,490</u>	<u>367,517</u>	<u>2,378,973</u>	<u>16,477</u>
Total Long-term Debt	<u>\$ 10,761,490</u>	<u>\$ 1,162,517</u>	<u>\$ 9,598,973</u>	<u>\$ 826,477</u>

Note 8. Commitments and Contingencies

A. Closure and Post-closure Care 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, 2014, County engineers estimate that \$6,528,232 will be required for landfill closure cost and for post-closure care liability. Approximately 57% of the landfill airspace capacity has been used as of June 30, 2014. \$4,211,404 has been set aside in restricted reserves and accumulates funds from interest earned on certificates of deposit and is required to finance closure and post-closure monitoring.

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Commitments and Contingencies (Continued)

A. Closure and Post-closure Care of Municipal Solid Waste Landfill (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 increase compaction rates within the landfill, decreased volume from industries, and Washington County no longer disposing waste at the landfill, the closure will 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.

B. Litigation

The County is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the regulatory basis of accounting, the financial statement does not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the County, the County believes that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the County. The County did not pay any claims or judgments during fiscal year 2014.

Note 9. 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 18.89 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 35.70 percent.

The county's contribution for FY 2012 was \$1,323,206, FY 2013 was \$1,417,388, and FY 2014 was \$1,396,477.

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

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

NELSON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 9. Employee Retirement System (Continued)

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 10. Health Reimbursement Account

The Nelson Fiscal Court established a Health Reimbursement Account to provide employees an additional health benefit. The County has contracted with BMS, LLC, a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$1,000 each year to pay for qualified medical expenses.

Note 11. Insurance

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

NELSON COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,994,000	\$ 4,994,000	\$ 5,102,495	\$ 108,495
Excess Fees	235,400	457,400	575,190	117,790
Licenses and Permits	286,400	306,400	338,657	32,257
Intergovernmental	400,700	500,500	543,937	43,437
Charges for Services	8,000	8,000	10,733	2,733
Miscellaneous	371,300	375,400	445,632	70,232
Interest	400	400	837	437
Total Receipts	<u>6,296,200</u>	<u>6,642,100</u>	<u>7,017,481</u>	<u>375,381</u>
DISBURSEMENTS				
General Government	1,210,600	1,328,100	1,254,972	73,128
Protection to Persons and Property	1,572,100	1,843,900	1,812,442	31,458
General Health and Sanitation	793,000	793,800	787,589	6,211
Social Services	158,300	182,000	163,694	18,306
Recreation and Culture	421,500	495,400	470,175	25,225
Roads	50,700	50,700	49,361	1,339
Bus	238,900	219,900	219,296	604
Debt Service	138,600	138,600	138,570	30
Administration	1,752,600	1,772,300	1,538,126	234,174
Total Disbursements	<u>6,336,300</u>	<u>6,824,700</u>	<u>6,434,225</u>	<u>390,475</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,100)</u>	<u>(182,600)</u>	<u>583,256</u>	<u>765,856</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	330,000	392,500	347,500	(45,000)
Transfers To Other Funds	(1,159,900)	(1,159,900)	(1,071,673)	88,227
Total Other Adjustments to Cash (Uses)	<u>(829,900)</u>	<u>(767,400)</u>	<u>(724,173)</u>	<u>43,227</u>
Net Change in Fund Balance	(870,000)	(950,000)	(140,917)	809,083
Fund Balance Beginning	870,000	870,000	814,439	(55,561)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (80,000)</u>	<u>\$ 673,522</u>	<u>\$ 753,522</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,937,000	\$ 2,937,000	\$ 2,995,522	\$ 58,522
Miscellaneous			16,863	16,863
Interest	200	200	27	(173)
Total Receipts	<u>2,937,200</u>	<u>2,937,200</u>	<u>3,012,412</u>	<u>75,212</u>
DISBURSEMENTS				
Roads	3,329,200	3,098,700	2,611,874	486,826
Administration	663,000	443,500	290,895	152,605
Total Disbursements	<u>3,992,200</u>	<u>3,542,200</u>	<u>2,902,769</u>	<u>639,431</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,055,000)</u>	<u>(605,000)</u>	<u>109,643</u>	<u>714,643</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,000	50,000	50,000	
Total Other Adjustments to Cash (Uses)	<u>500,000</u>	<u>50,000</u>	<u>50,000</u>	
Net Change in Fund Balance	(555,000)	(555,000)	159,643	714,643
Fund Balance Beginning	<u>555,000</u>	<u>555,000</u>	<u>505,545</u>	<u>(49,455)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 665,188</u>	<u>\$ 665,188</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 366,500	\$ 366,500	\$ 457,130	\$ 90,630
Charges for Services	102,000	102,000	92,832	(9,168)
Miscellaneous	101,500	101,500	17,771	(83,729)
Total Receipts	<u>570,000</u>	<u>570,000</u>	<u>567,733</u>	<u>(2,267)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,411,500	1,441,700	1,362,222	79,478
Administration	318,400	288,200	277,184	11,016
Total Disbursements	<u>1,729,900</u>	<u>1,729,900</u>	<u>1,639,406</u>	<u>90,494</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,159,900)</u>	<u>(1,159,900)</u>	<u>(1,071,673)</u>	<u>88,227</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,159,900</u>	<u>1,159,900</u>	<u>1,071,673</u>	<u>(88,227)</u>
Total Other Adjustments to Cash (Uses)	<u>1,159,900</u>	<u>1,159,900</u>	<u>1,071,673</u>	<u>(88,227)</u>
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 155,000	\$ 155,000	\$ 188,571	\$ 33,571
Total Receipts	<u>155,000</u>	<u>155,000</u>	<u>188,571</u>	<u>33,571</u>
DISBURSEMENTS				
Roads	140,000	220,000	209,836	10,164
Administration	183,000	103,000		103,000
Total Disbursements	<u>323,000</u>	<u>323,000</u>	<u>209,836</u>	<u>113,164</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(168,000)</u>	<u>(168,000)</u>	<u>(21,266)</u>	<u>146,735</u>
Net Change in Fund Balance	(168,000)	(168,000)	(21,266)	146,735
Fund Balance Beginning	<u>168,000</u>	<u>168,000</u>	<u>182,422</u>	<u>14,422</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161,157</u>	<u>\$ 161,157</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

EMERGENCY MEDICAL SERVICES FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 100,700	\$ 100,700	\$ 100,000	\$ (700)
Charges for Services	1,771,000	1,771,000	1,939,268	168,268
Miscellaneous	6,000	6,000	4,980	(1,020)
Total Receipts	<u>1,877,700</u>	<u>1,877,700</u>	<u>2,044,248</u>	<u>166,548</u>
DISBURSEMENTS				
Protection to Persons and Property	1,808,400	1,874,000	1,752,633	121,367
Administration	594,300	528,700	518,542	10,158
Total Disbursements	<u>2,402,700</u>	<u>2,402,700</u>	<u>2,271,175</u>	<u>131,525</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(226,927)</u>	<u>298,073</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	
Net Change in Fund Balance	(225,000)	(225,000)	73,073	298,073
Fund Balance Beginning	<u>225,000</u>	<u>225,000</u>	<u>177,164</u>	<u>(47,836)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 250,237</u>	<u>\$ 250,237</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 63,500	\$ 63,500	\$ 49,696	\$ (13,804)
Charges for Services	1,946,900	1,946,900	2,044,640	97,740
Miscellaneous	8,500	8,500	8,500	
Interest	100	100	344	244
Total Receipts	<u>2,019,000</u>	<u>2,019,000</u>	<u>2,103,180</u>	<u>84,180</u>
DISBURSEMENTS				
General Health and Sanitation	1,600,100	1,663,300	1,621,393	41,907
Administration	348,900	285,700	261,360	24,340
Total Disbursements	<u>1,949,000</u>	<u>1,949,000</u>	<u>1,882,753</u>	<u>24,340</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>70,000</u>	<u>70,000</u>	<u>220,427</u>	<u>108,520</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	
Net Change in Fund Balance	(30,000)	(30,000)	120,427	150,427
Fund Balance Beginning	<u>30,000</u>	<u>30,000</u>	<u>74,288</u>	<u>44,288</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 194,715</u>	<u>\$ 194,715</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LANDFILL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,000	\$ 3,000	\$	\$ (3,000)
Charges for Services	2,107,000	2,107,000	2,167,849	60,849
Miscellaneous	67,500	242,500	249,009	6,509
Interest	50,000	50,000	34,440	(15,560)
Total Receipts	<u>2,227,500</u>	<u>2,402,500</u>	<u>2,451,298</u>	<u>48,798</u>
DISBURSEMENTS				
General Health and Sanitation	1,598,200	1,860,100	1,264,352	595,748
Administration	929,300	577,800	295,102	282,698
Total Disbursements	<u>2,527,500</u>	<u>2,437,900</u>	<u>1,559,454</u>	<u>878,446</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(300,000)</u>	<u>(35,400)</u>	<u>891,844</u>	<u>927,244</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(245,000)</u>	<u>(429,600)</u>	<u>(302,524)</u>	<u>127,076</u>
Total Other Adjustments to Cash (Uses)	<u>(245,000)</u>	<u>(429,600)</u>	<u>(302,524)</u>	<u>127,076</u>
Net Change in Fund Balance	(545,000)	(465,000)	589,320	1,054,320
Fund Balance Beginning	<u>545,000</u>	<u>545,000</u>	<u>5,042,350</u>	<u>4,497,350</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>\$ 5,631,670</u>	<u>\$ 5,551,670</u>

NELSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

OCCUPATIONAL LICENSE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,138,000	\$ 1,138,000	\$ 1,178,568	\$ 40,568
Interest	200	200	549	349
Total Receipts	<u>1,138,200</u>	<u>1,138,200</u>	<u>1,179,117</u>	<u>40,917</u>
DISBURSEMENTS				
General Government	144,200	144,200	133,870	10,330
Social Services	30,000	30,000		30,000
Recreation and Culture	100,000	134,600	134,563	37
Airports	14,800	4,800	4,800	
Administration	104,200	17,100	12,556	4,544
Total Disbursements	<u>393,200</u>	<u>330,700</u>	<u>285,789</u>	<u>44,911</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>745,000</u>	<u>807,500</u>	<u>893,328</u>	<u>85,828</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(1,035,000)</u>	<u>(1,097,500)</u>	<u>(1,097,500)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,035,000)</u>	<u>(1,097,500)</u>	<u>(1,097,500)</u>	
Net Change in Fund Balance	(290,000)	(290,000)	(204,172)	85,828
Fund Balance Beginning	<u>290,000</u>	<u>290,000</u>	<u>300,699</u>	<u>10,699</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,527</u>	<u>\$ 96,527</u>

NELSON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

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

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

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

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**NELSON COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014**

NELSON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 2,988,946	\$	\$	\$ 2,988,946
Land Improvements	11,005,039	653,943		11,658,982
Buildings	29,185,633	99,008	126,964	29,157,677
Vehicles	6,251,880	180,527	387,020	6,045,387
Computers	170,743	22,412	8,793	184,362
Equipment	3,246,674	507,669		3,754,342
Infrastructure	97,974,164	1,291,618		99,265,782
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 150,823,079</u>	<u>\$ 2,755,177</u>	<u>\$ 522,777</u>	<u>\$ 153,055,479</u>

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

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	10,000	10-60
Buildings	8,000	10-75
Vehicles	5,000	3-25
Computers	3,000	2-10
Equipment	5,000	3-25
Infrastructure	10,000	10-50

Note 2. Restatement of Beginning Balance

The capital assets beginning balance was restated by \$7 for immaterial adjustments.

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



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Nelson County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated July 22, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2014-001 to be a material weakness.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Nelson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation as item 2014-001.

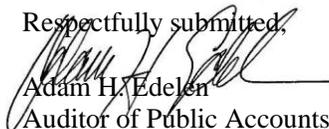
County Judge's Response to Finding

The Nelson County Judge's response to the finding identified in our audit is described in the accompanying comment and recommendation. The County Judge's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

July 22, 2015

**NELSON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2014

NELSON COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2014

FINANCIAL STATEMENT FINDING:

2014-001 The Fiscal Court Should Prepare An Accurate And Complete Financial Statement

The County's fourth quarter report did not reflect all financial activity that is required to be included. The fourth quarter report did not include \$4,441,979 in Certificate of Deposits for the Landfill Fund.

This has resulted in two adjustments. One material adjustment to the beginning balance for the current year financial statement and an adjustment to Landfill administration for interest transferred to restricted reserves:

A \$4,410,504 increase in beginning cash balances for certificate of deposit balances in the Landfill Fund. A \$31,475 decrease for interest transferred to restricted reserves to reflect the true balances of Certificate of Deposits for the Landfill Fund.

A financial statement that does not accurately reflect all of the financial activity for the fiscal year can be misleading to an end user.

We recommend the Fiscal Court ensure all funds are included in the financial statement and are properly presented.

County Judge/Executive Dean Watts' Response: The Exit conference for 2013 audit occurred on July 28, 2014. By this date, Nelson County already filed the 4th quarter report for 2014 fiscal year. The County's 4th quarter report was filed July 14, 2014. DLG requires the 4th quarter report to be filed by July 20th.

The 4th quarter 2014 report did not reflect the balance of the Certificate of Deposit required by the regulatory basis of accounting; Nelson County was not aware of this requirement until July 28, 2014.

All 2014 financial activity, including the Certificates of Deposits, was reported to the auditors.

All 2014 financial activity, including the Certificates of Deposits, was reported to the Nelson Fiscal Court in the Treasurers 2014 Annual Settlement, noted in the Fiscal Court Orders of August 5, 2014, Book 37, page 60. This settlement was reviewed by the auditors.

Nelson County has always been vigilant to report accurate and complete statements, and the audit comment – as currently presented – is wrong. Additionally, the County's quarterly statements now reflect all activity as required by the regulatory basis of accounting.

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

NELSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2014**

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

For The Fiscal Year Ended June 30, 2014

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

