

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

**For The Fiscal Year Ended
June 30, 2013**



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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 Ronnie DeBord, Owsley County Judge/Executive
Members of the Owsley County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Owsley County, Kentucky, for the year ended June 30, 2013.

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

Respectfully submitted,

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

Adam H. Edelen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY FISCAL COURT

June 30, 2013

Tichenor & Associates, LLP has completed the audit of the Owsley County Fiscal Court for fiscal year ended June 30, 2013.

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

Financial Condition:

The Owsley County Fiscal Court had total receipts of \$2,815,818, total disbursements of \$2,672,074, and cash balances and cash equivalents of \$626,638, an increase from the prior year.

Deposits:

The Fiscal Court deposits were insured and collateralized by bank securities or bonds.

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Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Owsley County, Kentucky, for the year ended June 30, 2013, 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 Owsley 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 Owsley County, Kentucky as of June 30, 2013, 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 cash balances and cash equivalents of Owsley County, Kentucky as of June 30, 2013, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Owsley County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Owsley 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. 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 has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2014 on our consideration of Owsley 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

February 27, 2014

OWSLEY COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

Ronnie DeBord	County Judge/Executive
Roger Reed	Magistrate
Mike Harris	Magistrate
Jesse Bishop, Jr.	Magistrate

Other Elected Officials:

Henley McIntosh	County Attorney
Robert Cope	Jailer
Shanna Oliver	County Clerk
Sid Gabbard	Former County Clerk
Mike Mays	Circuit Court Clerk
Kelly Shouse	Sheriff
Saundra King	Property Valuation Administrator
Eddie Isaacs	Coroner

Appointed Personnel:

Sasha Shoemaker	County Treasurer
Summer Yarbrough	Former County Treasurer
Barbara Whittaker	Former County Treasurer
Tammy Combs	Finance Officer
Randall Mays	Road Supervisor
Sheila Dooley	911 Administrator

OWSLEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

OWSLEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 409,078	\$ 49,761	\$
In Lieu Tax Payments	20,003		
Intergovernmental	190,103	1,246,116	70,845
Charges for Services			58
Miscellaneous	61,255	49,427	532
Interest	500	665	16
Total Receipts	<u>680,939</u>	<u>1,345,969</u>	<u>71,451</u>
DISBURSEMENTS			
General Government	522,330	33,696	971
Protection to Persons and Property	18,921		236,593
General Health and Sanitation	88,125		
Social Services			
Recreation and Culture			
Transportation Facilities and Services			
Roads		824,299	
Debt Service	23,596		
Capital Projects			
Administration	204,204	219,218	10,292
Total Disbursements	<u>857,176</u>	<u>1,077,213</u>	<u>247,856</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(176,237)</u>	<u>268,756</u>	<u>(176,405)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	23,477		
Transfers From Other Funds	212,812	240,258	177,360
Transfers To Other Funds	(132,750)	(304,812)	
Total Other Adjustments to Cash (Uses)	<u>103,539</u>	<u>(64,554)</u>	<u>177,360</u>
Net Change in Cash Balances and Cash Equivalents	(72,698)	204,202	955
Cash Balances and Cash Equivalents - Beginning (Restated)	125,442	266,544	153
Cash Balances and Cash Equivalents - Ending	<u>\$ 52,744</u>	<u>\$ 470,746</u>	<u>\$ 1,108</u>

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

OWSLEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Solid Waste Fund	Parks And Recreation Fund	Local Government Economic Development Fund	Total Funds
\$	\$	\$	\$	\$ 458,839
				20,003
185,742			231,981	1,924,787
	289,306			289,364
6,847	3,007	29		121,097
242	302	3		1,728
<u>192,831</u>	<u>292,615</u>	<u>32</u>	<u>231,981</u>	<u>2,815,818</u>
22,772		678		580,447
58,521	272,023		31,380	617,438
6,485				94,610
11,205				11,205
20,206				20,206
	7,412			7,412
				824,299
	18,202			41,798
		2,446		2,446
10,038	25,076	3,385		472,213
<u>129,227</u>	<u>322,713</u>	<u>6,509</u>	<u>31,380</u>	<u>2,672,074</u>
<u>63,604</u>	<u>(30,098)</u>	<u>(6,477)</u>	<u>200,601</u>	<u>143,744</u>
				23,477
	266,930	3,200	10,000	910,560
(61,722)	(209,160)		(202,116)	(910,560)
<u>(61,722)</u>	<u>57,770</u>	<u>3,200</u>	<u>(192,116)</u>	<u>23,477</u>
1,882	27,672	(3,277)	8,485	167,221
33,771	29,100	4,407		459,417
<u>\$ 35,653</u>	<u>\$ 56,772</u>	<u>\$ 1,130</u>	<u>\$ 8,485</u>	<u>\$ 626,638</u>

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

NOTES TO THE FINANCIAL STATEMENT

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OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Owsley County includes all budgeted and unbudgeted funds under the control of the Owsley 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 include non-fiduciary financial activities that are within the County's control. Unbudgeted funds may also include any corporation created 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 cash and cash equivalents 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.

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, and transfers from other funds. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Solid Waste Fund - The primary purpose of this fund is to account for the solid waste material, trucks, and personnel. The primary source of receipts for this fund is solid waste pickup service fees.

Parks and Recreation Fund - The primary purpose of this fund is to the County Park and Recreation Area. The primary source of receipts for this fund is from the LGEA Fund.

Local Government Economic Development Fund - The primary purpose of this fund is to account for State Grant projects. The primary source of receipts for this fund is state and federal grants.

D. 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 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.

E. Owsley County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Owsley 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 Owsley County, Kentucky.

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

F. Deposits and Investments

The government's cash and cash equivalents are 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.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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).

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.

H. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, Three Forks Regional Jail is considered a joint venture of the Owsley County Fiscal Court.

On October 6, 2000, the Counties of Lee, Owsley, and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000, the corporation issued \$6,295,000 of first mortgage revenue bonds. On December 1, 2000, the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping and operation of the Three Forks Regional Jail. The bonds were refunded with \$5,570,000 of Series 2012 First Series D Financing Program Revenue Bonds that are scheduled to mature on February 1, 2032. The refunding resulted in a present value savings of \$1,432,999 and a cumulative savings of \$1,610,721 for the Authority.

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements of the bonds are the rental payments from the participating counties, as stipulated in the lease and sublease agreements dated October 1, 2000. Pursuant to the lease and sublease, each participating county covenants to meet its proportionate share of the debt service requirements of the bonds as follows (the "proportionate share" or "use allowance"): 40% for Lee County, 22% for Owsley County and 38% for Wolfe County.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Venture (Continued)

By execution of the lease and subleases, each county is obligated for the amount of its proportionate share, plus any operating cost allowance required under the lease and subleases. Each county is liable solely for its own proportionate share of total annual debt service for the bonds and no one county is liable for another county's debt. Payment of the annual debt service for the bonds is dependent upon each participating county paying its respective amount of its use allowance as rent under the lease or sublease, as the case may be, in full. Each county has agreed in its lease and sublease agreements that in the event a county cannot pay its indebtedness, an Ad Valorem Tax will be levied in that county for an amount sufficient to provide full payment of the county's rentals due for that year.

The Three Forks Regional Jail Authority and the Three Fork's Public Properties Corporation are comprised of an eight (8) member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition, the Lee County Jailer is a required member of the board.

A copy of the Three Forks Regional Jail Authority's most recent audit report may be obtained at Three Forks Regional Jail 2475 Center Street, Beattyville, Kentucky 41311.

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 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. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	Road Fund	LGEA Fund	Solid Waste Fund	LGEDF Fund	Total Transfers In
General Fund	\$	\$ 172,812	\$	\$ 40,000	\$	\$ 212,812
Road Fund			38,322	132,000	69,936	240,258
Jail Fund	130,000		13,400	33,960		177,360
Solid Waste Fund	2,750	132,000			132,180	266,930
Parks and Recreation Fund				3,200		3,200
LGEDF Fund			10,000			10,000
Total Transfers Out	<u>\$ 132,750</u>	<u>\$ 304,812</u>	<u>\$ 61,722</u>	<u>\$ 209,160</u>	<u>\$ 202,116</u>	<u>\$ 910,560</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.

Note 4. Long-term Debt

A. Dump Truck/Dumpsters

On May 26, 2009, the Fiscal Court entered into a lease agreement with KACoLT for the purchase of a garbage truck for the solid waste department. The principal amount of the lease was \$88,000. The agreement requires principal payments every third month and monthly interest payments to be paid in full May 20, 2015, with an interest rate of 5.718%. Amount of principal outstanding as of June 30, 2013 was \$56,000. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 8,000	\$ 2,451
2015	<u>48,000</u>	<u>1,952</u>
Totals	<u>\$ 56,000</u>	<u>\$ 4,403</u>

B. Garbage Truck

On January 25, 2010, the Fiscal Court entered into a lease agreement with KACoLT for the purchase of a garbage truck for the solid waste department. The principal amount of the lease was \$35,000. The agreement requires principal payments in May and November and monthly interest payments to be paid in full November 20, 2015, with a variable interest rate. Principal amount outstanding as June 30, 2013 was \$16,000. Lease payments for the remaining years are:

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

B. Garbage Truck (Continued)

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 6,000	\$ 806
2015	6,000	552
2016	4,000	159
Totals	<u>\$ 16,000</u>	<u>\$ 1,517</u>

C. Ambulance

On May 6, 2011, the Fiscal Court entered into a lease agreement with Farmers State Bank for the purchase of an ambulance. The principal amount of the lease was \$36,635. The agreement requires monthly principal and interest payments with an interest rate of 4.5%. This lease was paid off in February 2013.

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 108,897	\$	\$ 36,897	\$ 72,000	\$ 14,000
Total Long-term Debt	<u>\$ 108,897</u>	<u>\$ 0</u>	<u>\$ 36,897</u>	<u>\$ 72,000</u>	<u>\$ 14,000</u>

Note 5. 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 19.55 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 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 37.60 percent.

The County's contribution for FY 2011 was \$125,413, FY 2012 was \$125,200, and FY 2013 was \$138,425.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Employee Retirement System (Continued)

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

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

CERS also provides post retirement health care coverage as follows:

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

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

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

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

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

Note 6. Deferred Compensation

The Owsley County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2013, Owsley County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Change in Basis of Accounting and Prior Period Adjustments

Owsley County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The net effect was a decrease to the beginning balance of the General Fund by \$33,660 and an increase to the balance of the Jail Fund, Solid Waste Fund, and Parks and Recreation Fund by \$153, \$29,100 and \$4,407, respectively on the *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents-Regulatory Basis*.

In addition, the beginning fund balance of the Road Fund was increased by \$3,817 to restate the fund balance for adjustments to the old accounting system as it was transitioned over to the new accounting system.

Note 9. Subsequent Event

Going Concern Issue - Three Forks Regional Jail Authority, Inc.

Owsley County is one of the three County's served by the Three Forks Regional Jail Authority, Inc. On July 22, 2013, the Three Forks Regional Jail Authority issued their audit report for the fiscal year 2013 that contained the following going concern disclosure:

Management has evaluated the Authority's ability to continue as a going concern and serious doubts have been raised. The Authority's operations have shown an operating loss over the past two years, the inmate population is decreasing, and costs are increasing. These factors have caused a serious concern about the Authority's ability to continue as a going concern over the next twelve months. Management is investigating options for increasing revenues and decreasing costs.

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

OWSEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 348,752	\$ 421,895	\$ 409,078	\$ (12,817)
In Lieu Tax Payments		20,003	20,003	
Intergovernmental	231,495	231,495	190,103	(41,392)
Miscellaneous	43,823	43,823	61,255	17,432
Interest	900	900	500	(400)
Total Receipts	<u>624,970</u>	<u>718,116</u>	<u>680,939</u>	<u>(37,177)</u>
DISBURSEMENTS				
General Government	467,107	531,102	522,330	8,772
Protection to Persons and Property	19,113	19,113	18,921	192
General Health and Sanitation	100,000	100,604	88,125	12,479
Debt Service	100	119	119	
Administration	184,719	207,249	204,204	3,045
Total Disbursements	<u>771,039</u>	<u>858,187</u>	<u>833,699</u>	<u>24,488</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(146,069)</u>	<u>(140,071)</u>	<u>(152,760)</u>	<u>(12,689)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	179,000	179,000	212,812	33,812
Transfers To Other Funds	(87,930)	(81,930)	(132,750)	(50,820)
Total Other Adjustments to Cash (Uses)	<u>91,070</u>	<u>97,070</u>	<u>80,062</u>	<u>(17,008)</u>
Net Change in Cash Balances and Cash Equivalents	(54,999)	(43,001)	(72,698)	(29,697)
Cash Balances and Cash Equivalents - Beginning (Restated)	<u>55,000</u>	<u>55,000</u>	<u>125,442</u>	<u>70,442</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 1</u>	<u>\$ 11,999</u>	<u>\$ 52,744</u>	<u>\$ 40,745</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 35,353	\$ 49,761	\$ 49,761	\$
Intergovernmental	1,293,170	1,361,764	1,246,116	(115,648)
Miscellaneous	38,000	52,107	49,427	(2,680)
Interest	650	650	665	15
Total Receipts	<u>1,367,173</u>	<u>1,464,282</u>	<u>1,345,969</u>	<u>(118,313)</u>
DISBURSEMENTS				
General Government	33,696	34,696	33,696	1,000
Roads	1,007,524	1,031,965	824,299	207,666
Capital Projects	90,000	82,500		82,500
Administration	298,623	377,791	219,218	158,573
Total Disbursements	<u>1,429,843</u>	<u>1,526,952</u>	<u>1,077,213</u>	<u>449,739</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(62,670)</u>	<u>(62,670)</u>	<u>268,756</u>	<u>331,426</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	132,670	132,670	240,258	107,588
Transfers To Other Funds	(170,000)	(170,000)	(304,812)	(134,812)
Total Other Adjustments to Cash (Uses)	<u>(37,330)</u>	<u>(37,330)</u>	<u>(64,554)</u>	<u>(27,224)</u>
Net Change in Cash Balances and Cash Equivalents	(100,000)	(100,000)	204,202	304,202
Cash Balances and Cash Equivalents - Beginning (Restated)	<u>100,000</u>	<u>100,000</u>	<u>266,544</u>	<u>166,544</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 470,746</u>	<u>\$ 470,746</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 56,400	\$ 56,400	\$ 70,845	\$ 14,445
Charges for Services	400	400	58	(342)
Miscellaneous			532	532
Interest	50	50	16	(34)
Total Receipts	<u>56,850</u>	<u>56,850</u>	<u>71,451</u>	<u>14,601</u>
DISBURSEMENTS				
General Government	1,100	1,009	971	38
Protection to Persons and Property	201,510	238,210	236,593	1,617
Administration	11,804	10,668	10,292	376
Total Disbursements	<u>214,414</u>	<u>249,887</u>	<u>247,856</u>	<u>2,031</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(157,564)</u>	<u>(193,037)</u>	<u>(176,405)</u>	<u>16,632</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>152,563</u>	<u>117,271</u>	<u>177,360</u>	<u>60,089</u>
Total Other Adjustments to Cash (Uses)	<u>152,563</u>	<u>117,271</u>	<u>177,360</u>	<u>60,089</u>
Net Change in Cash Balances and Cash Equivalents	(5,001)	(75,766)	955	76,721
Cash Balances and Cash Equivalents - Beginning	<u>5,000</u>	<u>5,000</u>	<u>153</u>	<u>(4,847)</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ (1)</u>	<u>\$ (70,766)</u>	<u>\$ 1,108</u>	<u>\$ 71,874</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,800	\$ 2,800	\$	\$ (2,800)
Intergovernmental	206,000	206,000	185,742	(20,258)
Miscellaneous		522	6,847	6,325
Interest	100	100	242	142
Total Receipts	<u>208,900</u>	<u>209,422</u>	<u>192,831</u>	<u>(16,591)</u>
DISBURSEMENTS				
General Government	7,488	22,772	22,772	
Protection to Persons and Property	74,202	64,714	58,521	6,193
General Health and Sanitation	7,800	6,620	6,485	135
Social Services	5,400	11,205	11,205	
Recreation and Culture		20,300	20,206	94
Administration	42,077	11,356	10,038	1,318
Total Disbursements	<u>136,967</u>	<u>136,967</u>	<u>129,227</u>	<u>7,740</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>71,933</u>	<u>72,455</u>	<u>63,604</u>	<u>(8,851)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	10,000	10,000		(10,000)
Transfers To Other Funds	(86,933)	(57,641)	(61,722)	(4,081)
Total Other Adjustments to Cash (Uses)	<u>(76,933)</u>	<u>(47,641)</u>	<u>(61,722)</u>	<u>(14,081)</u>
Net Change in Cash Balances and Cash Equivalents	(5,000)	24,814	1,882	(22,932)
Cash Balances and Cash Equivalents - Beginning	5,000	33,770	33,771	1
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 58,584</u>	<u>\$ 35,653</u>	<u>\$ (22,931)</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 280,000	\$ 280,000	\$ 289,306	9,306
Miscellaneous	12,400	12,400	3,007	(9,393)
Interest	200	200	302	102
Total Receipts	<u>292,600</u>	<u>292,600</u>	<u>292,615</u>	<u>15</u>
DISBURSEMENTS				
General Health and Sanitation	286,453	297,453	272,023	25,430
Transportation Facilities and Services	30,000	30,000	7,412	22,588
Debt Service	17,852	23,852	18,202	5,650
Administration	83,979	66,979	25,076	41,903
Total Disbursements	<u>418,284</u>	<u>418,284</u>	<u>322,713</u>	<u>95,571</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(125,684)</u>	<u>(125,684)</u>	<u>(30,098)</u>	<u>95,586</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	135,053	135,053	266,930	131,877
Transfers To Other Funds	(49,369)	(49,369)	(209,160)	(159,791)
Total Other Adjustments to Cash (Uses)	<u>85,684</u>	<u>85,684</u>	<u>57,770</u>	<u>(27,914)</u>
Net Change in Cash Balances and Cash Equivalents	(40,000)	(40,000)	27,672	67,672
Cash Balances and Cash Equivalents - Beginning	40,000	40,000	29,100	(10,900)
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 56,772</u>	<u>\$ 56,772</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

PARKS AND RECREATION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 15,800	\$ 15,800	\$ 29	\$ (15,771)
Interest	100	100	3	(97)
Total Receipts	<u>15,900</u>	<u>15,900</u>	<u>32</u>	<u>(15,868)</u>
DISBURSEMENTS				
General Government	594,500	594,500	678	593,822
Capital Projects	2,500	2,693	2,446	247
Administration	5,900	5,707	3,385	2,322
Total Disbursements	<u>602,900</u>	<u>602,900</u>	<u>6,509</u>	<u>596,391</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(587,000)</u>	<u>(587,000)</u>	<u>(6,477)</u>	<u>580,523</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	583,000	583,000	3,200	(579,800)
Total Other Adjustments to Cash (Uses)	<u>583,000</u>	<u>583,000</u>	<u>3,200</u>	<u>(579,800)</u>
Net Change in Cash Balances and Cash Equivalents	(4,000)	(4,000)	(3,277)	723
Cash Balances and Cash Equivalents - Beginning	4,000	4,000	4,407	407
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,130</u>	<u>\$ 1,130</u>

OWSLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENTAL ECONOMIC DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 694,421	\$ 694,421	\$ 231,981	\$ (462,440)
Total Receipts	694,421	694,421	231,981	(462,440)
DISBURSEMENTS				
General Government	10,326	8,946		8,946
Protection to Persons and Property	30,000	31,380	31,380	
General Health and Sanitation	226,306	226,306		226,306
Recreation and Culture	9,861	9,861		9,861
Transportation Facilities and Services	5,875	5,875		5,875
Administration	82	82		82
Total Disbursements	282,450	282,450	31,380	251,070
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	411,971	411,971	200,601	(211,370)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			10,000	10,000
Transfers To Other Funds	(412,053)	(412,053)	(202,116)	209,937
Total Other Adjustments to Cash (Uses)	(412,053)	(412,053)	(192,116)	219,937
Net Change in Cash Balances and Cash Equivalents	(82)	(82)	8,485	8,567
Cash Balances and Cash Equivalents - Beginning	82	82		(82)
Cash Balances and Cash Equivalents - Ending	\$ 0	\$ 0	\$ 8,485	\$ 8,485

OWSLEY COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

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 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.

Note 2. Reconciliation of the General Fund

The *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents-Regulatory Basis* differs from the *Budgetary Comparison Schedules* for the General Fund for Other Adjustments to Cash (Uses) and Debt Service by \$23,477 due to payments by the Ambulance Service being made directly to the bank for debt service.

OWSLEY COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

OWSLEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

The Fiscal Court reports the following schedule of capital assets:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land and Land Improvements	\$ 303,402	\$	\$ 12,174	\$ 291,228
Construction In Progress	582,715			582,715
Buildings and Building Improvements	1,834,371		112,622	1,721,749
Vehicles and Equipment	2,487,419	183,128	432,477	2,238,070
Infrastructure	2,369,821	253,729		2,623,550
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Capital Assets	<u>\$ 7,577,728</u>	<u>\$ 436,857</u>	<u>\$ 557,273</u>	<u>\$ 7,457,312</u>

OWSLEY COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings and building improvements, vehicles and 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	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Restatement of Beginning Balance

The beginning balance for buildings and building improvements was increased \$175,000 for additional cost for courthouse improvements made in a prior year, but not recorded in the Capital Assets.

**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**

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The Honorable Ronnie DeBord, Owsley County Judge/Executive
Members of the Owsley 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 Cash and Cash Equivalents Balances - Regulatory Basis of the Owsley County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated February 27, 2014. 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 Owsley County Fiscal Court's internal control over financial reporting to determine 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 Owsley County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Owsley County Fiscal Court's internal control.

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

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

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

Compliance And Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 27, 2014

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

OWSLEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2013**


Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
OWSLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

The Owsley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

