

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

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



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOLFE COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Wolfe County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Wolfe County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$3,380,044 as of June 30, 2009. The fiscal court had unrestricted net assets of \$984,135 in its governmental activities as of June 30, 2009, with total net assets in its governmental activities of \$3,380,044. The fiscal court had total debt principal as of June 30, 2009 of \$3,178,069, with \$118,748 due within the next year.

Report Comments:

- The Fiscal Court Lacks Adequate Segregation Of Duties
- The Fiscal Court Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

Deposits:

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

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wolfe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.



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

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2010 on our consideration of Wolfe 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 comments and recommendations, included herein, which discusses the following report comments:

- The Fiscal Court Lacks Adequate Segregation Of Duties
- The Fiscal Court Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

January 4, 2010

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Raymond Hurst	County Judge/Executive
Deweese Wilson	Magistrate
Marvin Carson	Magistrate
Garrett Denniston	Magistrate

Other Elected Officials:

Stephen Johnson	County Attorney
Dennis Brooks	Jailer
Steve Oliver	County Clerk
Debbie Sparks	Circuit Court Clerk
Chris Carson	Sheriff
Tim Ferguson	Property Valuation Administrator
James Frank Porter	Coroner

Appointed Personnel:

Reva Terrill	County Treasurer
Barbara Phillips	Finance Officer
Barbara Phillips	Occupational Tax Collector
Rebecca Long	Payroll Officer
Frankie Bryant	Road Supervisor
Rebecca Long	911 Administrator

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WOLFE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

WOLFE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,138,095
Asset Held For Resale	99,000
Total Current Assets	4,237,095
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation:	
Land and Land Improvements	675,351
Construction in Progress	178,938
Buildings and Building Improvements	426,495
Equipment	126,064
Vehicles	346,702
Infrastructure	567,468
Total Noncurrent Assets	2,321,018
Total Assets	6,558,113
 LIABILITIES	
Current Liabilities:	
Financing Obligations Payable	118,748
Total Current Liabilities	118,748
Noncurrent Liabilities:	
Revenue Bonds	3,000,000
Financing Obligations Payable	59,321
Total Noncurrent Liabilities	3,059,321
Total Liabilities	3,178,069
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(758,051)
Restricted For:	
Capital Projects	3,153,960
Unrestricted	984,135
Total Net Assets	\$ 3,380,044

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

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

WOLFE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 219,912	\$ 88,078	\$ 38,557	\$
Protection to Persons and Property	291,784	15,129	61,908	
General Health and Sanitation	27,920	1,358	147,101	
Social Services	9,997			
Recreation and Culture	1,990			
Roads	838,355	1,275	553,155	717,355
Interest on Long-Term Debt	56,518			
Capital Projects	805,291		6,915	36,634
Total Governmental Activities	\$ 2,251,767	\$ 105,840	\$ 807,636	\$ 753,989

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

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

Net (Expenses)
Revenues and
Changes in Net Assets
Primary Government

Governmental
Activities

\$	(93,277)
	(214,747)
	120,539
	(9,997)
	(1,990)
	433,430
	(56,518)
	<u>(761,742)</u>
	<u>(584,302)</u>
	109,266
	12,971
	31,212
	342,194
	86,878
	14,108
	37,090
	<u>4,283</u>
	<u>638,002</u>
	53,700
	<u>3,326,344</u>
\$	<u><u>3,380,044</u></u>

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

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WOLFE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

WOLFE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Special Projects Fund
ASSETS					
Cash and Cash Equivalents	\$ 424,872	\$ 344,813	\$ 2,591	\$ 172,795	\$ 946,742
Total Assets	<u>424,872</u>	<u>344,813</u>	<u>2,591</u>	<u>172,795</u>	<u>946,742</u>
FUND BALANCES					
Reserved for:					
Encumbrances	532	21,101		4,117	
Unreserved:					
General Fund	424,340				
Special Revenue Funds		323,712	2,591	168,678	
Capital Projects Fund					946,742
Total Fund Balances	<u>\$ 424,872</u>	<u>\$ 344,813</u>	<u>\$ 2,591</u>	<u>\$ 172,795</u>	<u>\$ 946,742</u>

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

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

Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 2,207,218	\$ 39,064	\$ 4,138,095
<u>2,207,218</u>	<u>39,064</u>	<u>4,138,095</u>
		25,750
		424,340
	39,064	534,045
<u>2,207,218</u>	<u>39,064</u>	<u>3,153,960</u>
<u>\$ 2,207,218</u>	<u>\$ 39,064</u>	<u>\$ 4,138,095</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 4,138,095
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	3,469,369
Accumulated Depreciation	(1,148,351)
Asset Held for Resale Are Not Financial Resources And Therefore Are Not Reported in the Funds.	99,000
Long-Term Debt Is Not Due and Payable In The Current Period and, Therefore, Is Not Reported In The Funds.	
Bonds	(3,000,000)
Financing Obligations	<u>(178,069)</u>
Net Assets Of Governmental Activities	<u>\$ 3,380,044</u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Special Projects Fund
REVENUES					
Taxes	\$ 556,335	\$	\$	\$	\$
In Lieu Tax Payments	32,257	78,165			
Excess Fees	14,108				
Licenses and Permits	3,594				
Intergovernmental	209,434	927,398	68,595	266,146	
Charges for Services	692				
Miscellaneous	45,152	77	1,459		
Interest	1,973	5,383	113	919	15,026
Total Revenues	<u>863,545</u>	<u>1,011,023</u>	<u>70,167</u>	<u>267,065</u>	<u>15,026</u>
EXPENDITURES					
General Government	489,835			24,224	
Protection to Persons and Property	90,729		240,236	1,917	
General Health and Sanitation	18,116			9,804	
Social Services				7,600	
Roads		863,128		54,263	
Debt Service		11,521		5,900	
Capital Projects					
Administration	198,605	170,133	14,794	9,737	
Total Expenditures	<u>797,285</u>	<u>1,044,782</u>	<u>255,030</u>	<u>113,445</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>66,260</u>	<u>(33,759)</u>	<u>(184,863)</u>	<u>153,620</u>	<u>15,026</u>
Other Financing Sources (Uses)					
Financing Obligation Proceeds		80,000			
Proceeds From Bond Anticipation Notes					
Transfers From Other Funds	162,844		176,840		
Transfers To Other Funds	(104,800)	(162,844)		(72,040)	
Total Financing Sources (Uses)	<u>58,044</u>	<u>(82,844)</u>	<u>176,840</u>	<u>(72,040)</u>	
Net Change in Fund Balances	124,304	(116,603)	(8,023)	81,580	15,026
Fund Balances - Beginning (Restated)	300,568	461,416	10,614	91,215	931,716
Fund Balances - Ending	<u>\$ 424,872</u>	<u>\$ 344,813</u>	<u>\$ 2,591</u>	<u>\$ 172,795</u>	<u>\$ 946,742</u>

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

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

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 2,286	\$ 558,621
		110,422
		14,108
		3,594
	62,580	1,534,153
		692
	100	46,788
13,645	30	37,089
<u>13,645</u>	<u>64,996</u>	<u>2,305,467</u>
		514,059
	4,870	337,752
		27,920
		7,600
		917,391
39,097		56,518
741,330	63,961	805,291
26,000		419,269
<u>806,427</u>	<u>68,831</u>	<u>3,085,800</u>
<u>(792,782)</u>	<u>(3,835)</u>	<u>(780,333)</u>
		80,000
3,000,000		3,000,000
		339,684
		(339,684)
<u>3,000,000</u>		<u>3,080,000</u>
2,207,218	(3,835)	2,299,667
	42,899	1,838,428
<u>\$ 2,207,218</u>	<u>\$ 39,064</u>	<u>\$ 4,138,095</u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 2,299,667
<p>Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	985,362
Depreciation Expense	(162,260)
<p>The Issuance Of Long-Term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Financing Obligation And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions Have No Effect On Net Assets.</p>	
Bond Proceeds	(3,000,000)
Financing Obligation Proceeds	(80,000)
Financing Obligations Principal Payments	<u>10,931</u>
Changes in Net Assets of Governmental Activities	<u><u>\$ 53,700</u></u>

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

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TO THE FINANCIAL STATEMENTS**

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WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Wolfe County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

The Wolfe County Public Properties Corporation

The Wolfe County Fiscal Court appoints the voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Wolfe County Public Properties Corporation.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Wolfe County Elected Officials

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

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

D. Government-wide and Fund Financial Statements

The primary government reports governmental activities using the economic resources measurement focus and modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid with the exception of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the county. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and donated assets are not reflected in the financial statements.

The County reports the following major governmental 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 revenue 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 revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county including the contributions to the Three Forks Regional Jail. The primary sources of revenue 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 revenues and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for the local government development funds received from the state government. The funds may be used for roads, protection of persons and property, social services, and general health and sanitation expenditures.

Special Projects Fund - The purpose of this fund is to account for economic development revenues for Wolfe County Fiscal Court. The primary source of the money for the county is reimbursements from a company for a Community Development Block Grant received. The funds may be used for economic development.

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

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

Public Properties Corporation – The purpose of this fund is to account for the bond issue and the AOC Building construction costs. The primary source of the money is from the issue of bond anticipation notes. The funds are used for the building new AOC Judicial Building.

The government also has the following non-major funds: Area Development Fund, Fire Protection Fund, Search and Rescue Fund, Local Government Economic Development Fund, Cemetery Fund, and E-911 Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Area Development Fund, Fire Protection Fund, Search and Rescue Fund, Local Government Economic Development Fund, Cemetery Fund, and E-911 Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Special Projects Fund and Public Properties Corporation Fund are presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

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.

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. 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 in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Infrastructure	\$ 20,000	10-50
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25

H. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

I. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent the fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

K. 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, the following is considered a joint venture of the Wolfe County Fiscal Court:

Three Forks Regional Jail

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.

The only source of funds expected by the Three Forks Public Properties Corporation to meet the debt service requirements on 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 on the bond as follows (the "proportionate share" or "use allowance"): 40% for Lee County, 22% for Owsley County, and 38% for Wolfe County.

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

K. Joint Venture (Continued)

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 Three Forks Regional Jail Authority and the Three Forks Public Property Corporation are comprised of an eight-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 Audit Report may be obtained by writing the management at 2475 Center Street, Beattyville, KY 41311 or on the web at www.auditor.ky.gov.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institutions failure, the County may not recover its deposits. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 45,351	\$ 630,000	\$	\$ 675,351
Construction in Progress	43,895	135,043		178,938
Total Capital Assets Not Being Depreciated	89,246	765,043		854,289
Capital Assets, Being Depreciated:				
Buildings	762,402			762,402
Building Improvements	15,695			15,695
Equipment	207,720	29,894		237,614
Vehicles	719,098	79,054		798,152
Infrastructure	689,846	111,371		801,217
Total Capital Assets Being Depreciated	2,394,761	220,319		2,615,080
Less Accumulated Depreciation For:				
Buildings	(335,225)	(12,193)		(347,418)
Building Improvements	(3,138)	(1,046)		(4,184)
Equipment	(88,146)	(23,404)		(111,550)
Vehicles	(392,601)	(58,849)		(451,450)
Infrastructure	(166,981)	(66,768)		(233,749)
Total Accumulated Depreciation	(986,091)	(162,260)		(1,148,351)
Total Capital Assets, Being Depreciated, Net	1,408,670	58,059		1,466,729
Governmental Activities Capital Assets, Net	<u>\$ 1,497,916</u>	<u>\$ 823,102</u>	<u>\$ 0</u>	<u>\$ 2,321,018</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 27,914
Protection to Persons and Property	28,299
Social Services	2,397
Recreation and Culture	1,990
Roads, Including Depreciation of General Infrastructure Assets	<u>101,660</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 162,260</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Long Term Debt

A. Kentucky Association of Counties - Dump Truck

On June 12, 2008, the Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties for the purpose of purchasing a new dump truck. The principal of the agreement was \$99,000 with repayment to be made on June 20, 2010. The County will make monthly interest payments commencing July 20, 2008. The principal balance of the agreement was \$99,000 as of June 30, 2009. Principle payment requirements and scheduled interest for the remaining term of the contract are presented below.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 99,000	\$ 984
Totals	\$ 99,000	\$ 984

B. Kentucky Area Development District Leasing Trust - Jail Renovations

On April 16, 2006, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development District for the purpose of financing their portion of the Three Forks Regional Jail renovation. The principal of the agreement was \$20,000 with repayment to be made on June 30, 2010. The County will make annual installments in accordance with the lease terms. The principal balance of the agreement was \$5,000 as of June 30, 2009. Principal payment requirements and scheduled interest for the remaining term of the contract are presented below.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 5,000	\$ 700
Totals	\$ 5,000	\$ 700

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Long Term Debt (Continued)

C. First Mortgage Revenue Bonds Anticipation Notes, Series 2008

In July 2008, The Wolfe County Public Properties Corporation, a component unit of the Wolfe County Fiscal Court, issued \$3,000,000 in First Mortgage Revenue Anticipation Notes, Series 2008. The proceeds from these notes were used in anticipation of bond proceeds to begin construction of the Judicial Building. These notes are scheduled to mature in July 1, 2010 and carry an interest rate of 2.59%. Semiannual interest payments are required in January and July and the full principal amount is due in July 2010. As of June 30, 2009, the principal balance outstanding on these bonds was \$3,000,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	\$	\$ 77,700
2011	3,000,000	38,850
Totals	<u>\$ 3,000,000</u>	<u>\$ 116,550</u>

D. Kentucky Association Of Counties – Trucks and Snow Blades

On January 26, 2009, the Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties for the purpose of purchasing trucks and snow plows. The principal of the agreement was \$80,000. The County will make monthly principal and interest payments commencing February 20, 2009. The principal balance of the agreement was \$74,069 as of June 30, 2009. Principle payment requirements and scheduled interest for the remaining term of the contract are presented below.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2010	14,748	3,028
2011	15,502	2,400
2012	16,296	1,743
2013	17,129	1,049
2014	10,394	278
Totals	<u>\$ 74,069</u>	<u>\$ 8,498</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 4. Long Term Debt (Continued)

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$	\$ 3,000,000	\$	\$ 3,000,000	\$
Financing Obligations	109,000	80,000	10,931	178,069	118,748
Governmental Activities					
Long Term Liabilities	<u>\$ 109,000</u>	<u>\$ 3,080,000</u>	<u>\$ 10,931</u>	<u>\$ 3,178,069</u>	<u>\$ 118,748</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. The county's contribution rate for nonhazardous employees was 13.50 percent.

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.

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 6. Insurance

For the fiscal year ended June 30, 2009, Wolfe 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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

Note 7. Prior Period Adjustments

The beginning net asset balance as of June 30, 2008, for governmental activities of Wolfe County Fiscal Court has been restated. We have increased Governmental Activities, the General Fund, and the Jail Fund due to prior year voided checks. We have also decreased Governmental Activities, the General Fund and the Road Fund for a balance in the payroll revolving account. Lastly, we decreased the beginning balance of accumulated depreciation to correct a prior year misstatement. The following is a reconciliation of net assets as of June 30, 2008, as previously reported to the restated net assets balance for the same period. Total beginning net asset balance restated as of June 30, 2008 is \$3,326,344.

	Governmental		
	Activities	General Fund	Road Fund
	<u> </u>	<u> </u>	<u> </u>
Beginning balance	\$ 3,319,792	\$ 302,131	\$ 463,261
Adjustments:			
Prior year voided checks	282	282	
Payroll revolving account balance	(3,690)	(1,845)	(1,845)
Accumulated depreciation - Vehicles	9,960		
	<u> </u>	<u> </u>	<u> </u>
Restated beginning balance	<u>\$ 3,326,344</u>	<u>\$ 300,568</u>	<u>\$ 461,416</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 444,400	\$ 481,311	\$ 556,335	\$ 75,024
In Lieu Tax Payments	20,000	20,000	32,257	12,257
Excess Fees		13,837	14,108	271
Licenses and Permits	1,000	2,400	3,594	1,194
Intergovernmental Revenue	62,369	167,897	209,434	41,537
Charges for Services	100	100	692	592
Miscellaneous	17,500	20,400	45,152	24,752
Interest	1,200	1,200	1,973	773
Total Revenues	<u>546,569</u>	<u>707,145</u>	<u>863,545</u>	<u>156,400</u>
EXPENDITURES				
General Government	415,122	439,122	489,835	(50,713)
Protection to Persons and Property	77,616	77,616	90,729	(13,113)
General Health and Sanitation	37,297	137,297	18,116	119,181
Administration	221,664	375,076	198,605	176,471
Total Expenditures	<u>751,699</u>	<u>1,029,111</u>	<u>797,285</u>	<u>231,826</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(205,130)</u>	<u>(321,966)</u>	<u>66,260</u>	<u>388,226</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	162,844	162,844	162,844	
Transfers To Other Funds	(110,000)	(140,000)	(104,800)	35,200
Total Other Financing Sources (Uses)	<u>52,844</u>	<u>22,844</u>	<u>58,044</u>	<u>35,200</u>
Net Changes in Fund Balances	(152,286)	(299,122)	124,304	423,426
Fund Balances - Beginning (Restated)	<u>152,286</u>	<u>299,122</u>	<u>300,568</u>	<u>1,446</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 424,872</u>	<u>\$ 424,872</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
In Lieu Tax Payments	\$ 32,000	\$ 78,165	\$ 78,165	\$
Intergovernmental Revenue	845,187	1,031,542	927,398	(104,144)
Miscellaneous	100	100	77	(23)
Interest	3,500	3,500	5,383	1,883
Total Revenues	<u>880,787</u>	<u>1,113,307</u>	<u>1,011,023</u>	<u>(102,284)</u>
EXPENDITURES				
Roads	774,311	864,311	863,128	1,183
Debt Service	102,000	183,500	11,521	171,979
Capital Projects	50,000	50,000		50,000
Administration	181,632	393,255	170,133	223,122
Total Expenditures	<u>1,107,943</u>	<u>1,491,066</u>	<u>1,044,782</u>	<u>446,284</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(227,156)</u>	<u>(377,759)</u>	<u>(33,759)</u>	<u>344,000</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		80,000	80,000	
Transfers To Other Funds	(162,844)	(162,844)	(162,844)	
Total Other Financing Sources (Uses)	<u>(162,844)</u>	<u>(82,844)</u>	<u>(82,844)</u>	
Net Changes in Fund Balances	(390,000)	(460,603)	(116,603)	344,000
Fund Balances - Beginning (Restated)	<u>390,000</u>	<u>460,603</u>	<u>461,416</u>	<u>813</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 344,813</u>	<u>\$ 344,813</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 65,152	\$ 70,923	\$ 68,595	\$ (2,328)
Miscellaneous			1,459	1,459
Interest	150	150	113	(37)
Total Revenues	<u>65,302</u>	<u>71,073</u>	<u>70,167</u>	<u>(906)</u>
EXPENDITURES				
Protection to Persons and Property	233,500	263,500	240,236	23,264
Administration	16,842	29,449	14,794	14,655
Total Expenditures	<u>250,342</u>	<u>292,949</u>	<u>255,030</u>	<u>37,919</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(185,040)</u>	<u>(221,876)</u>	<u>(184,863)</u>	<u>37,013</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	182,040	212,040	176,840	(35,200)
Total Other Financing Sources (Uses)	<u>182,040</u>	<u>212,040</u>	<u>176,840</u>	<u>(35,200)</u>
Net Changes in Fund Balances	(3,000)	(9,836)	(8,023)	1,813
Fund Balances - Beginning (Restated)	<u>3,000</u>	<u>9,836</u>	<u>10,614</u>	<u>778</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,591</u>	<u>\$ 2,591</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 150,600	\$ 150,600	\$ 266,146	\$ 115,546
Interest			919	919
Total Revenues	<u>150,600</u>	<u>150,600</u>	<u>267,065</u>	<u>116,465</u>
EXPENDITURES				
General Government	25,886	25,886	24,224	1,662
Protection to Persons and Property	2,500	2,500	1,917	583
General Health and Sanitation	9,526	9,526	9,804	(278)
Social Services	7,700	7,700	7,600	100
Recreation and Culture	4,000	4,000		4,000
Roads	86,998	86,998	54,263	32,735
Debt Service	5,450	5,450	5,900	(450)
Administration	12,500	12,500	9,737	2,763
Total Expenditures	<u>154,560</u>	<u>154,560</u>	<u>113,445</u>	<u>41,115</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,960)</u>	<u>(3,960)</u>	<u>153,620</u>	<u>157,580</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(72,040)	(72,040)	(72,040)	
Total Other Financing Sources (Uses)	<u>(72,040)</u>	<u>(72,040)</u>	<u>(72,040)</u>	
Net Changes in Fund Balances	(76,000)	(76,000)	81,580	157,580
Fund Balances - Beginning	<u>76,000</u>	<u>76,000</u>	<u>91,215</u>	<u>15,215</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,795</u>	<u>\$ 172,795</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

SPECIAL PROJECTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$ 6,000	\$ 6,000	\$ 15,026	\$ 9,026
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>15,026</u>	<u>9,026</u>
EXPENDITURES				
General Government	46,000	46,000		46,000
Capital Projects	871,218	871,218		871,218
Administration	18,782	18,782		18,782
Total Expenditures	<u>936,000</u>	<u>936,000</u>		<u>936,000</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(930,000)</u>	<u>(930,000)</u>	<u>15,026</u>	<u>945,026</u>
Net Changes in Fund Balances	(930,000)	(930,000)	15,026	945,026
Fund Balances - Beginning	<u>930,000</u>	<u>930,000</u>	<u>931,716</u>	<u>1,716</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 946,742</u>	<u>\$ 946,742</u>

WOLFE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

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

June 30, 2009

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

June 30, 2009

	Area Development Fund	Fire Protection Fund	Search And Rescue Fund	Local Government Economic Development Fund	Cemetery Fund
ASSETS					
Cash and Cash Equivalents	\$ 3,711	\$ 9,036	\$ 844	\$ 6,392	\$ 50
Total Assets	<u>3,711</u>	<u>9,036</u>	<u>844</u>	<u>6,392</u>	<u>50</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	<u>3,711</u>	<u>9,036</u>	<u>844</u>	<u>6,392</u>	<u>50</u>
Total Fund Balances	<u>\$ 3,711</u>	<u>\$ 9,036</u>	<u>\$ 844</u>	<u>\$ 6,392</u>	<u>\$ 50</u>

The accompanying notes are an integral part of the financial statements

WOLFE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Agency For Substance Abuse Policy Fund	Total Non-Major Governmental Funds
\$ 19,031	\$ 39,064
<u>19,031</u>	<u>39,064</u>
<u>19,031</u>	<u>39,064</u>
<u>\$ 19,031</u>	<u>\$ 39,064</u>

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

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

For The Year Ended June 30, 2009

	Area Development Fund	Fire Protection Fund	Search And Rescue Fund	Local Government Economic Development Fund
REVENUES				
Taxes	\$	\$ 2,286	\$	\$
Intergovernmental	6,915			36,634
Miscellaneous			100	
Interest	18		12	
Total Revenues	<u>6,933</u>	<u>2,286</u>	<u>112</u>	<u>36,634</u>
EXPENDITURES				
Protection to Persons and Property		2,317	2,553	
Social Services				
Capital Projects	<u>3,614</u>			<u>60,347</u>
Total Expenditures	<u>3,614</u>	<u>2,317</u>	<u>2,553</u>	<u>60,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,319</u>	<u>(31)</u>	<u>(2,441)</u>	<u>(23,713)</u>
Net Change in Fund Balances	3,319	(31)	(2,441)	(23,713)
Fund Balances - Beginning	392	9,067	3,285	30,105
Fund Balances - Ending	<u>\$ 3,711</u>	<u>\$ 9,036</u>	<u>\$ 844</u>	<u>\$ 6,392</u>

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

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

<u>Cemetery Fund</u>	<u>E-911 Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$	\$ 2,286
	19,031	62,580
		100
		30
	<u>19,031</u>	<u>64,996</u>
		4,870
		<u>63,961</u>
		<u>68,831</u>
	<u>19,031</u>	<u>(3,835)</u>
	19,031	(3,835)
50		42,899
<u>\$ 50</u>	<u>\$ 19,031</u>	<u>\$ 39,064</u>

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

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



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Raymond Hurst, Wolfe County Judge/Executive
Members of the Wolfe County Fiscal Court

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 4, 2010. Wolfe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies listed below described in the accompanying comments and recommendations to be significant deficiencies in internal control over financing reporting.

- The Fiscal Court Lacks Adequate Segregation Of Duties
- The Fiscal Court Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases



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

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Wolfe County's financial statements for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

The Wolfe County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

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

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

January 4, 2010

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

The Fiscal Court Lacks Adequate Segregation Of Duties

A lack of adequate segregation of duties exists over receipts and payroll preparation. The Finance Officer receives all receipts, makes the deposits, and posts to the receipts ledger. The Finance Officer prepares all payroll reports, prepares checks to transfer monies from the County's funds into the payroll revolving account, and posts the payroll expenditures to the appropriations ledger. Also, the Finance Officer is the only person who signs paychecks and reconciles all bank accounts, including the payroll account.

Segregation of duties over receipts and payroll preparation or implementation of compensating controls when limited by staff size is essential for providing protection from inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

We recommend the fiscal court segregate the duties of receipts and payroll preparation or implement compensating controls to provide oversight to the employee responsible for these duties. The employee providing this oversight should document his or her review by initialing source documents. Examples of compensating controls are:

- A person independent of cash receipts, such as the County Judge/Executive, recount the daily deposit and agree with daily receipt documentation.
- An independent person should compare Fiscal Court approvals to invoices and cancelled checks. This person should not prepare checks.
- A person independent of payroll preparation review the payroll reports and supporting documentation.
- A person independent of cash receipts and disbursements reviews the bank reconciliation prepared by the Finance Officer.
- An independent person prepares the bank reconciliation.
- An independent person receives the unopened bank statement and reviews for unusual items before it is given to the reconciler.

County Judge/Executive Raymond Hurst's Response: Will do everything possible to correct problem.

The Fiscal Court Did Not Provide Adequate Oversight Of Fuel Credit Card Purchases

The Fiscal Court did not provide adequate oversight of fuel credit card purchases made by the Jailer. An odometer reading is required each time the fuel credit card is used. The Jailer and his deputy did not record the vehicle's actual mileage when fuel was purchased for invoices for fiscal year 2009 totaling \$6,140. We will recommend that the Fiscal Court implement steps to adequately safeguard against the potential for fraudulent gasoline purchases. Logs should be required for all county employees for business related travel. These logs should be compared to the fuel credit card invoices on a monthly basis. Upon completion of the comparisons, discrepancies should be investigated. The Fiscal Court should also ensure fuel credit cards are used to purchase fuel for official vehicles only.

County Judge/Executive Raymond Hurst's Response: I have implemented rules to fix this problem.

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

WOLFE COUNTY FISCAL COURT

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

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

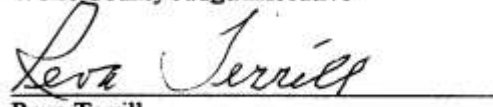
WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

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



Raymond Hurst
Wolfe County Judge/Executive



Reva Terrill
Wolfe County Treasurer

