

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

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



**ADAM H. EDELEN  
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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 Dennis Brooks, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents 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, 2011, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Wolfe 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 WOLFE COUNTY FISCAL COURT**

**June 30, 2011**

Tichenor & Associates, LLP has completed the audit of the Wolfe County Fiscal Court for fiscal year ended June 30, 2011. 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 \$4,995,143 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,880,463 in its governmental activities as of June 30, 2011, with total net assets of \$4,995,143. The fiscal court had total debt principal as of June 30, 2011 of \$10,743,819 with \$536,296 due within the next year.

#### **Report Comments:**

2011-01 The Fiscal Court Lacks Adequate Segregation Of Duties

2011-02 The Fiscal Court Should Limit Expenditures For the First Half Of Each Fourth Year

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities or bond as of June 30, 2011.



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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Dennis Brooks, 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, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the 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, 2011, 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 implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The 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 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 it and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Dennis Brooks, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

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 combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 December 15, 2011 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:

- 2011-01 The Fiscal Court Lacks Adequate Segregation Of Duties
- 2011-02 The Fiscal Court Should Limit Expenditures For the First Half Of Each Fourth Year

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

December 15, 2011

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Dennis Brooks	County Judge/Executive
Tim Bailey	Magistrate
David Spencer	Magistrate
Ronnie Halsey	Magistrate

**Other Elected Officials:**

Stephen Johnson	County Attorney
Marvin Carson	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
Mike Oliver	Road Supervisor
Rebecca Long	911 Administrator

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

**June 30, 2011**



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

**June 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 8,164,767
Asset Held For Resale	118,137
Total Current Assets	8,282,904
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation:	
Land and Land Improvements	1,012,851
Construction in Progress	4,578,030
Buildings	499,499
Building Improvements	9,419
Equipment	132,860
Vehicles	309,735
Infrastructure	913,664
Total Noncurrent Assets	7,456,058
Total Assets	15,738,962
 <b>LIABILITIES</b>	
Current Liabilities:	
Revenue Bonds	425,000
Financing Obligations Payable	111,296
Total Current Liabilities	536,296
Noncurrent Liabilities:	
Revenue Bonds	10,075,000
Financing Obligations Payable	132,523
Total Noncurrent Liabilities	10,207,523
Total Liabilities	10,743,819
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	2,810,077
Restricted For:	
Debt Service	100,015
Unrestricted	2,085,051
Total Net Assets	\$ 4,995,143

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, 2011**

**WOLFE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

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

<b>Functions/Programs Reporting Entity</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 884,446	\$ 22,729	\$ 356,661	\$
Protection to Persons and Property	378,115		339,881	
General Health and Sanitation	213,706		253,971	10,360
Social Services	12,285			
Recreation and Culture	17,640			
Roads	618,392		1,342,951	
Debt Service	384,186			928,567
Capital Projects	434,300			319,930
<b>Total Governmental Activities</b>	<b>\$ 2,943,070</b>	<b>\$ 22,729</b>	<b>\$ 2,293,464</b>	<b>\$ 1,258,857</b>

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes

Excess Fees

Interest Income

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restat

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, 2011**  
**(Continued)**

<u>Net (Expenses)</u> <u>Revenues and</u> <u>Changes in Net Assets</u> <u>Primary Government</u>	
<u>Governmental</u> <u>Activities</u>	
\$	(505,056)
	(38,234)
	50,625
	(12,285)
	(17,640)
	724,559
	544,381
	<u>(114,370)</u>
	<u>631,980</u>
	107,899
	11,626
	29,177
	387,619
	137,711
	3,783
	52,293
	<u>141,217</u>
	<u>871,325</u>
	1,503,305
	<u>3,491,838</u>
\$	<u><u>4,995,143</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, 2011**

**WOLFE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Special Projects Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 393,504	\$ 515,699	\$ 6,732	\$ 90,034	\$ 907,928
Total Assets	<u>393,504</u>	<u>515,699</u>	<u>6,732</u>	<u>90,034</u>	<u>907,928</u>
<b>FUND BALANCES</b>					
Restricted for:					
General Health and Sanitation					
Roads				90,034	
Debt Service		100,015			
Capital Projects					
Assigned To:					
Protection to Persons and Property			6,732		
Roads		415,684			
Social Services					
Capital Projects					907,928
Unassigned	<u>393,504</u>				
Total Fund Balances	<u>\$ 393,504</u>	<u>\$ 515,699</u>	<u>\$ 6,732</u>	<u>\$ 90,034</u>	<u>\$ 907,928</u>

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

**WOLFE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2011**  
**(Continued)**

<b>Public Properties Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 5,979,701	\$ 271,169	\$ 8,164,767
<u>5,979,701</u>	<u>271,169</u>	<u>8,164,767</u>
	114,554	114,554
		90,034
		100,015
5,979,701		5,979,701
	61,783	68,515
		415,684
	3,089	3,089
	91,743	999,671
		<u>393,504</u>
<u>\$ 5,979,701</u>	<u>\$ 271,169</u>	<u>\$ 8,164,767</u>

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

Total Fund Balances	\$ 8,164,767
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.	8,916,718
Accumulated Depreciation	(1,460,660)
Asset Held for Resale Are Not Financial Resources And Therefore Are Not Reported in the Funds.	118,137
Long-Term Debt Is Not Due and Payable In The Current Period and, Therefore, Is Not Reported In The Funds.	
Bonds	(10,500,000)
Financing Obligations	<u>(243,819)</u>
Net Assets Of Governmental Activities	<u>\$ 4,995,143</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, 2011**

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

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

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Special Projects Fund</b>
<b>REVENUES</b>					
Taxes	\$ 613,283	\$	\$	\$	\$
In Lieu Tax Payments		56,468			
Excess Fees	3,783				
Licenses and Permits	754				
Intergovernmental	361,057	1,249,323	73,790	269,719	
Charges for Services	378				
Miscellaneous	30,098	118,818	1,801		
Interest	1,097	1,705	14	255	15,964
Total Revenues	<u>1,010,450</u>	<u>1,426,314</u>	<u>75,605</u>	<u>269,974</u>	<u>15,964</u>
<b>EXPENDITURES</b>					
General Government	558,512			23,886	
Protection to Persons and Property	31,283		267,257	1,764	
General Health and Sanitation	114,440			25,605	
Social Services				7,600	
Recreation and Culture	3,341			240	
Roads		1,249,638		88,610	
Debt Service:					
Principal		15,502			
Interest		3,935			
Issuance Cost		3,475			
Capital Projects		111,715			73,500
Administration	258,059	188,772	17,119	12,069	
Total Expenditures	<u>965,635</u>	<u>1,573,037</u>	<u>284,376</u>	<u>159,774</u>	<u>73,500</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	44,815	(146,723)	(208,771)	110,200	(57,536)
<b>Other Financing Sources (Uses)</b>					
Finance Obligation Proceeds		200,000			
Discount On Bond Issuance		(1,000)			
Transfers From Other Funds			207,816		
Transfers To Other Funds	(101,416)			(111,400)	
Total Financing Sources (Uses)	<u>(101,416)</u>	<u>199,000</u>	<u>207,816</u>	<u>(111,400)</u>	
Net Change in Fund Balances	(56,601)	52,277	(955)	(1,200)	(57,536)
Fund Balances - Beginning (Restated)	450,105	463,422	7,687	91,234	965,464
Fund Balances - Ending	<u>\$ 393,504</u>	<u>\$ 515,699</u>	<u>\$ 6,732</u>	<u>\$ 90,034</u>	<u>\$ 907,928</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, 2011**  
(Continued)

<b>Public Properties Corporation Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 613,283
		56,468
		3,783
		754
928,567	674,261	3,556,717
	10,582	10,960
1,400	192	152,309
33,066		52,101
<u>963,033</u>	<u>685,035</u>	<u>4,446,375</u>
		582,398
	92,645	392,949
	145,999	286,044
	2,288	9,888
		3,581
		1,338,248
430,000		445,502
374,376		378,311
		3,475
3,665,814	249,085	4,100,114
1,400	17,350	494,769
<u>4,471,590</u>	<u>507,367</u>	<u>8,035,279</u>
<u>(3,508,557)</u>	<u>177,668</u>	<u>(3,588,904)</u>
		200,000
		(1,000)
	5,000	212,816
		(212,816)
	<u>5,000</u>	<u>199,000</u>
(3,508,557)	182,668	(3,389,904)
9,488,258	88,501	11,554,671
<u>\$ 5,979,701</u>	<u>\$ 271,169</u>	<u>\$ 8,164,767</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, 2011**



**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, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$ (3,389,904)
Governmental Funds Report Assets Held for Resale as Expenditures. However, These Expenditures Are Not Reported in the Statement of Activities	
Purchase of Assets Held for Resale	118,137
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	4,736,491
Depreciation Expense	(203,241)
Assets disposed of, net book value	(3,680)
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.	
Financing Obligation Proceeds	(200,000)
Revenue Bond Payments	430,000
Financing Obligations Principal Payments	<u>15,502</u>
Changes in Net Assets of Governmental Activities	<u>\$ 1,503,305</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, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting 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. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

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. 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.

Wolfe County Public Properties Corporation

The Wolfe County Fiscal Court appoints 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 Public Properties Corporation.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(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 the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition 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 primary government and its non-fiduciary component units. 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, 2011**  
**(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 sale ninety days following April 15.

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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

**Governmental Funds**

The fiscal court 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 receipts 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. 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 receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for 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 coal severance funds received. The funds may be used for economic development.

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 issuance of a bond. The funds are used for the building of a new AOC Judicial building.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Area Development Fund, Fire Protection Fund, Search and Rescue Fund, Local Government Economic Development Fund, Solid Waste Fund, Animal Shelter 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.

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, and E-911 Fund are presented as special revenue funds. Special revenue funds are 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 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.

**E. 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).

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, construction in progress, buildings and building improvements, vehicles, 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.

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 Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Infrastructure	\$ 20,000	10-50
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund 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.

**H. 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 nonspendable and spendable components, if applicable.

Nonspendable include amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, 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. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. 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.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. 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.

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](http://www.auditor.ky.gov).

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 2. Deposits**

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. 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, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Interfund Transfers**

The table below shows the interfund operating transfers for fiscal year 2011.

Transfers In	Transfers Out		Total
	General Fund	LGEA Fund	
Jail Fund	\$ 96,416	\$ 111,400	\$ 207,816
LGEDF	5,000		5,000
Total Transfers Out	<u>\$ 101,416</u>	<u>\$ 111,400</u>	<u>\$ 212,816</u>

Reason for transfers:

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



**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Restated Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 675,351	\$ 337,500	\$	\$ 1,012,851
Construction In Progress	912,216	3,665,814		4,578,030
Total Capital Assets Not Being Depreciated	<u>1,587,567</u>	<u>4,003,314</u>		<u>5,590,881</u>
Capital Assets Being Depreciated:				
Buildings	762,402	112,500		874,902
Building Improvements	15,695			15,695
Equipment	237,614	59,272		296,886
Vehicles	749,437	80,600	(20,300)	809,737
Infrastructure	847,812	480,805		1,328,617
Total Capital Assets Being Depreciated	<u>2,612,960</u>	<u>733,177</u>	<u>(20,300)</u>	<u>3,325,837</u>
Less Accumulated Depreciation For:				
Buildings	(359,611)	(15,792)		(375,403)
Building Improvements	(5,230)	(1,046)		(6,276)
Equipment	(134,954)	(29,072)		(164,026)
Vehicles	(469,927)	(46,695)	16,620	(500,002)
Infrastructure	(304,317)	(110,636)		(414,953)
Total Accumulated Depreciation	<u>(1,274,039)</u>	<u>(203,241)</u>	<u>16,620</u>	<u>(1,460,660)</u>
Total Capital Assets Being Depreciated, Net	<u>1,338,921</u>	<u>529,936</u>	<u>(3,680)</u>	<u>1,865,177</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,926,488</u>	<u>\$ 4,533,250</u>	<u>\$ (3,680)</u>	<u>\$ 7,456,058</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 26,639
Protection to Persons and Property	17,947
General Health and Sanitation	17,634
Social Services	2,397
Recreation and Culture	1,990
Roads, Including Depreciation of General Infrastructure Assets	<u>136,634</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 203,241</u>

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt**

**A. Kentucky Area Development Districts - Dump Truck**

On August 20, 2010, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development Districts for the purpose of purchasing a new dump truck. The principal of the agreement was \$95,000 with repayment to be made on March 1, 2012. The County will make semiannual interest payments commencing March 1, 2011. The principal balance of the agreement was \$95,000 as of June 30, 2011.

**B. Kentucky Area Development Districts - Dump Truck**

On May 25, 2011, the Fiscal Court entered into a capital lease agreement with Kentucky Area Development Districts for the purpose of purchasing a new dump truck. The principal of the agreement was \$105,000 with repayment to be made on November 20, 2012. The County will make semiannual interest payments commencing November 20, 2011. The principal balance of the agreement was \$105,000 as of June 30, 2011.

**C. First Mortgage Revenue Bonds - Judicial Building**

In April 2010, Wolfe County Public Properties Corporation entered into an agreement for the issuance of \$10,930,000 First Mortgage Revenue Bonds, Series 2010, to finance the costs of a new Justice Center facility. The bonds were issued for a twenty year period, with semi-annual interest payments due May 1 and November 1 of each year beginning November 1, 2010, and principal due upon maturity at May 1, 2030. Debt service requirements for the Revenue Bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 425,000	\$ 377,500
2013	435,000	371,125
2014	440,000	364,600
2015	450,000	355,800
2016	460,000	346,800
2017-2021	2,490,000	1,535,925
2022-2026	2,945,000	1,073,425
2027-2030	2,855,000	366,000
Totals	<u>\$ 10,500,000</u>	<u>\$ 4,791,175</u>

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**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 \$43,819 as of June 30, 2011. 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
2012	\$ 16,296	\$ 1,774
2013	17,129	1,066
2014	10,394	281
Totals	<u>\$ 43,819</u>	<u>\$ 3,121</u>

**E. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 10,930,000	\$	\$ 430,000	\$ 10,500,000	\$ 425,000
Financing Obligations	59,321	200,000	15,502	243,819	111,296
Governmental Activities					
Long Term Liabilities	<u>\$ 10,989,321</u>	<u>\$ 200,000</u>	<u>\$ 445,502</u>	<u>\$ 10,743,819</u>	<u>\$ 536,296</u>

**Note 6. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$378,289 in interest on revenue bonds and financing obligations.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 7. Employee Retirement System**

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

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

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

The county's contribution for FY 2009 was \$58,766, FY 2010 was \$130,760, and FY 2011 was \$152,423.

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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

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

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

**Note 8. Insurance**

For the fiscal year ended June 30, 2011, 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.

**Note 9. Prior Year Adjustments**

Beginning Net Assets of the governmental activities has been restated for the prior year due to voided checks. The effect of this change is a net increase of \$1,826.

The beginning net assets of the governmental activities has been restated due to the disposition of assets in the prior year. The effect of this change is a net decrease of \$8,343.

Beginning Fund Balance for the Public Properties Corporation Fund has been restated for the prior year due to a timing difference with deposits in transit. The effect of this change is a decrease of \$175,000 in the Public Properties Corporation Fund.

**Note 10. Change in Accounting Principles**

The Wolfe County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet - Governmental Funds. The implementation also resulted in two funds previously presented as special revenue funds that no longer meet the definition to be rolled into the General Fund.

As a result, beginning Fund Balance for the General Fund has been increased for the addition of the previously reported Cemetery Fund and Fire Protection Fund. The effect of the change is a total increase of \$9,098 in the General Fund.

**Note 11. Pending Litigation**

Wolfe County has one pending lawsuit in Wolfe Circuit Court regarding a car wreck involving a Sheriff Office vehicle. Wolfe County has referred this case to its insurance carrier and they have assigned an attorney.

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

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





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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 476,400	\$ 597,682	\$ 610,938	\$ 13,256
In Lieu Tax Payments	9,000	9,000		(9,000)
Excess Fees		3,772	3,783	11
Licenses and Permits	1,900	1,900	754	(1,146)
Intergovernmental Revenue	92,500	133,522	361,057	227,535
Charges for Services	100	100	378	278
Miscellaneous	17,500	20,500	30,098	9,598
Interest	1,200	1,200	1,097	(103)
Total Revenues	<u>598,600</u>	<u>767,676</u>	<u>1,008,105</u>	<u>240,429</u>
<b>EXPENDITURES</b>				
General Government	484,986	597,622	558,512	39,110
Protection to Persons and Property	36,953	37,031	22,446	14,585
General Health and Sanitation	122,553	122,553	114,440	8,113
Recreation and Culture		3,500	3,341	159
Administration	284,414	499,642	258,059	241,583
Total Expenditures	<u>928,906</u>	<u>1,260,348</u>	<u>956,798</u>	<u>303,550</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(330,306)</u>	<u>(492,672)</u>	<u>51,307</u>	<u>543,979</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(71,860)	(91,860)	(101,416)	(9,556)
Transfers From Other Funds	152,166	152,166		(152,166)
Total Financing Sources (Uses)	<u>80,306</u>	<u>60,306</u>	<u>(101,416)</u>	<u>(161,722)</u>
Net Changes in Fund Balance	(250,000)	(432,366)	(50,109)	382,257
Fund Balance - Beginning	<u>250,000</u>	<u>440,364</u>	<u>441,007</u>	<u>643</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 7,998</u>	<u>\$ 390,898</u>	<u>\$ 382,900</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 72,000	\$ 72,000	\$ 56,468	\$ (15,532)
Intergovernmental Revenue	787,666	1,211,750	1,249,323	37,573
Miscellaneous	90,100	90,100	118,818	28,718
Interest	2,000	2,000	1,705	(295)
Total Revenues	<u>951,766</u>	<u>1,375,850</u>	<u>1,426,314</u>	<u>50,464</u>
<b>EXPENDITURES</b>				
Roads	795,400	1,081,143	1,060,638	20,505
Debt Service	120,600	18,600	17,927	673
Capital Projects	50,000	112,000	111,715	285
Administration	233,600	474,659	188,772	285,887
Total Expenditures	<u>1,199,600</u>	<u>1,686,402</u>	<u>1,379,052</u>	<u>307,350</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(247,834)</u>	<u>(310,552)</u>	<u>47,262</u>	<u>357,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(152,166)</u>	<u>(152,166)</u>	<u></u>	<u>152,166</u>
Total Financing Sources (Uses)	<u>(152,166)</u>	<u>(152,166)</u>	<u></u>	<u>152,166</u>
Net Changes in Fund Balance	(400,000)	(462,718)	47,262	509,980
Fund Balance - Beginning	<u>400,000</u>	<u>462,718</u>	<u>463,422</u>	<u>704</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 510,684</u>	<u>\$ 510,684</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 66,138	\$ 86,107	\$ 73,790	\$ (12,317)
Miscellaneous	1,000	1,000	1,801	801
Interest	100	100	14	(86)
Total Revenues	<u>67,238</u>	<u>87,207</u>	<u>75,605</u>	<u>(11,602)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	224,500	280,600	267,257	13,343
Administration	16,598	35,375	17,119	18,256
Total Expenditures	<u>241,098</u>	<u>315,975</u>	<u>284,376</u>	<u>31,599</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(173,860)</u>	<u>(228,768)</u>	<u>(208,771)</u>	<u>19,997</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	171,860	221,860	207,816	(14,044)
Total Financing Sources (Uses)	<u>171,860</u>	<u>221,860</u>	<u>207,816</u>	<u>(14,044)</u>
Net Changes in Fund Balance	(2,000)	(6,908)	(955)	5,953
Fund Balance - Beginning	<u>2,000</u>	<u>6,908</u>	<u>7,687</u>	<u>779</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,732</u>	<u>\$ 6,732</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 160,000	\$ 269,719	\$ 269,719	\$
Interest	300	300	255	(45)
Total Revenues	<u>160,300</u>	<u>270,019</u>	<u>269,974</u>	<u>(45)</u>
<b>EXPENDITURES</b>				
General Government	25,886	23,886	23,886	
Protection to Persons and Property	2,500	2,100	1,764	336
General Health and Sanitation	18,498	26,398	25,605	793
Social Services	7,700	7,700	7,600	100
Recreation and Culture	4,000	4,000	240	3,760
Roads	87,416	88,916	88,610	306
Administration	14,300	87,019	12,069	74,950
Total Expenditures	<u>160,300</u>	<u>240,019</u>	<u>159,774</u>	<u>80,245</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>30,000</u>	<u>110,200</u>	<u>80,200</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(100,000)</u>	<u>(130,000)</u>	<u>(111,400)</u>	<u>18,600</u>
Total Financing Sources (Uses)	<u>(100,000)</u>	<u>(130,000)</u>	<u>(111,400)</u>	<u>18,600</u>
Net Changes in Fund Balance	(100,000)	(100,000)	(1,200)	98,800
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>91,234</u>	<u>(8,766)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 90,034</u>	<u>\$ 90,034</u>

**WOLFE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of Required Supplementary Information to Statement of Revenues, Expenditures, and Changes in Fund Balances**

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

General Fund:

Budgetary Basis - Beginning Fund Balance	\$ 441,007
Plus: Fire Protection Fund Balance	9,048
Cemetery Fund Balance	50
Modified Cash Basis	<u>\$ 450,105</u>
Budgetary Basis - Expenditures	\$ 956,798
Plus: Fire Protection Fund Expenditures	8,837
Modified Cash Basis	<u>\$ 965,635</u>
Budgetary Basis - Ending Fund Balance	\$ 390,898
Plus: Fire Protection Fund Ending Balance	2,556
Cemetery Ending Fund Balance	50
Modified Cash Basis	<u>\$ 393,504</u>

Road Fund:

Budgetary Basis - Expenditures	\$ 1,379,052
Plus: Financing Obligations Expenditures	193,985
Modified Cash Basis	<u>\$ 1,573,037</u>
Budgetary Basis - Other Financing Sources	\$
Plus: Financing Obligations Other Financing Sources	199,000
Modified Cash Basis	<u>\$ 199,000</u>
Budgetary Basis - Ending Fund Balance	\$ 510,684
Plus: Financing Obligations Ending Balance	5,015
Modified Cash Basis	<u>\$ 515,699</u>

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

**June 30, 2011**

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

**June 30, 2011**

	<b>Area Development Fund</b>	<b>Search And Rescue Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Animal Shelter Fund</b>	<b>Solid Waste Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,974	\$ 3,089	\$ 89,769	\$ 93,017	\$ 21,537
Total Assets	<u>1,974</u>	<u>3,089</u>	<u>89,769</u>	<u>93,017</u>	<u>21,537</u>
<b>FUND BALANCES</b>					
<b>Restricted For:</b>					
General Health and Sanitation				93,017	21,537
<b>Assigned To:</b>					
Protection to Persons and Property					
Social Services		3,089			
Capital Projects	<u>1,974</u>		<u>89,769</u>		
Total Fund Balances	<u>\$ 1,974</u>	<u>\$ 3,089</u>	<u>\$ 89,769</u>	<u>\$ 93,017</u>	<u>\$ 21,537</u>

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



**WOLFE COUNY**  
**COMBINING BALANCE SHEET-**  
**NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For the Year Ended June 30, 2011**  
**(Continued)**

<b>E-911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<u>\$ 61,783</u>	<u>\$ 271,169</u>
<u>61,783</u>	<u>271,169</u>
	114,554
61,783	61,783
	3,089
	<u>91,743</u>
<u>\$ 61,783</u>	<u>\$ 271,169</u>

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

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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, 2011**

**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, 2011**

	<b>Area Development Fund</b>	<b>Search And Rescue Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Solid Waste Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 10,360	\$	\$ 319,930	\$ 160,954
Miscellaneous		4,000		6,582
Interest		6		
Total Revenues	<u>10,360</u>	<u>4,006</u>	<u>319,930</u>	<u>167,536</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property				
Social Services		2,288		
General Health and Sanitation				145,999
Capital Projects	10,355		238,730	
Administration				
Total Expenditures	<u>10,355</u>	<u>2,288</u>	<u>238,730</u>	<u>145,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5</u>	<u>1,718</u>	<u>81,200</u>	<u>21,537</u>
Other Financing Sources (Uses)				
Transfers From Other Funds			5,000	
Total Financing Sources (Uses)			<u>5,000</u>	
Net Change in Fund Balances	5	1,718	86,200	21,537
Fund Balances - Beginning	1,969	1,371	3,569	
Fund Balances - Ending	<u>\$ 1,974</u>	<u>\$ 3,089</u>	<u>\$ 89,769</u>	<u>\$ 21,537</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, 2011**  
**(Continued)**

<b>Animal Shelter Fund</b>	<b>E-911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 93,017	\$ 90,000	\$ 674,261
		10,582
	186	192
<u>93,017</u>	<u>90,186</u>	<u>685,035</u>
	92,645	92,645
		2,288
		145,999
		249,085
	17,350	17,350
	<u>109,995</u>	<u>507,367</u>
<u>93,017</u>	<u>(19,809)</u>	<u>177,668</u>
		5,000
		5,000
93,017	(19,809)	182,668
	81,592	88,501
<u>\$ 93,017</u>	<u>\$ 61,783</u>	<u>\$ 271,169</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**





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The Honorable Dennis Brooks, 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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2011. 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

Management of the Wolfe County Fiscal Court is responsible for establishing and maintaining effective 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 Fiscal Court'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2011-01 to be a material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wolfe County's financial statements as of and for the year ended June 30, 2011, 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2011-02.

The Wolfe County Judge/Executive's responses to the findings identified in our audit are included in the 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, others within the entity and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP  
Certified Public Accountants

December 15, 2011

**WOLFE COUNTY  
COMMENTS AND RECOMMENDATIONS**

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



**WOLFE COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2011**

INTERNAL CONTROL - MATERIAL WEAKNESS

2011-01     The Fiscal Court Lacks Adequate Segregation Of Duties

This is a repeat finding from the prior year. A lack of adequate segregation of duties exists over receipts and payroll preparation. The Finance Officer receives all receipts, makes 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 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 employees 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 the 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 reconciler.

*County Judge/Executive Dennis Brook's Response: We have changed policies to meet compliance.*

STATE LAWS AND REGULATIONS

2011-02     The Fiscal Court Should Limit Expenditures For the First Half Of Each Fourth Year

During our audit we discovered that the Fiscal Court expended or encumbered more than ninety-six percent (96%) of the County's budget for the Solid Waste Fund and more than seventy-three percent of the County's budget for the Search and Rescue Fund during the first half of the fiscal year. KRS 68.310 states, no county shall, during the first half of any fourth fiscal year, beginning with the fiscal year 1998-1999, encumber or expend more than sixty-five percent (65%) in any fund budgeted for that fiscal year.

We recommend in the future the Fiscal Court monitor expenditures and encumbrances in order to comply with KRS 68.310.

*County Judge/Executive Dennis Brook's Response: I was not the Judge at this time, but I will watch closely.*

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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, 2011**





CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

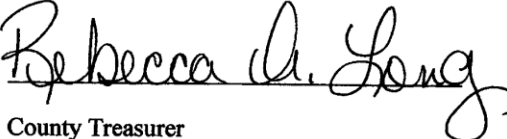
WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

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.

  
\_\_\_\_\_

County Judge/Executive

  
\_\_\_\_\_

County Treasurer

