

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

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



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE WOLFE COUNTY FISCAL COURT**

**June 30, 2013**

The Auditor of Public Accounts has completed the audit of the Wolfe County Fiscal Court for fiscal year ended June 30, 2013.

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

#### **Financial Condition:**

The Wolfe County Fiscal Court had total receipts of \$5,077,283 and disbursements of \$6,888,097 in fiscal year 2013. This resulted in ending cash balances and cash equivalents of \$2,740,019, which was a decrease of \$1,791,555 from the prior year.

#### **Report Comments:**

- 2013-01 The County Should Cease The Practice Of Selling County's Gravel Surplus
- 2013-02 The County Should Maintain Evidence For All Disbursements
- 2013-03 The County Should Enter Into A Detailed Written Agreement With Their Ambulance Service
- 2013-04 The County Should Reimburse \$22,734 Of KBEMS Funds To The Kentucky Board Of Emergency Medical Services
- 2013-05 Invoices Provided Did Not Properly Substantiate Ambulance Reimbursements
- 2013-06 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation

#### **Deposits:**

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



CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
WOLFE COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT .....	11
BUDGETARY COMPARISON SCHEDULES .....	23
NOTES TO SUPPLEMENTARY INFORMATION.....	36
SCHEDULE OF CAPITAL ASSETS .....	39
NOTES TO OTHER INFORMATION.....	40
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	43
COMMENTS AND RECOMMENDATIONS.....	47
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Wolfe County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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



To the People of Kentucky  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wolfe County, Kentucky as of June 30, 2013, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances and cash equivalents of Wolfe County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Emphasis of Matters**

As discussed in Note 8 to the financial statement, in fiscal year 2013, the Wolfe County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter. As discussed in Note 1 to the financial statement, the Wolfe County Fiscal Court would have included some component entities under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity. Our opinion is not modified with respect to this matter.



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

### Other Matters

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2014 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 discuss the following report comments:

- 2013-01 The County Should Cease The Practice Of Selling County's Gravel Surplus
- 2013-02 The County Should Maintain Evidence For All Disbursements
- 2013-03 The County Should Enter Into A Detailed Written Agreement With Their Ambulance Service
- 2013-04 The County Should Reimburse \$22,734 Of KBEMS Funds To The Kentucky Board Of Emergency Medical Services
- 2013-05 Invoices Provided Did Not Properly Substantiate Ambulance Reimbursements
- 2013-06 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation

Respectfully submitted,



Adam H. Edelen  
 Auditor of Public Accounts

March 20, 2014

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2013

**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:**

Rebecca Long	County Treasurer
Tracy Sparks	Chief Financial Officer

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 625,065	\$ 55,048	\$
Excess Fees	8,166		
Licenses and Permits	1,426		
Intergovernmental	737,076	1,272,856	97,441
Miscellaneous	211,557	110,910	166
Interest	1,027	1,036	7
<b>Total Receipts</b>	<b>1,584,317</b>	<b>1,439,850</b>	<b>97,614</b>
<b>DISBURSEMENTS</b>			
General Government	1,388,779		
Protection to Persons and Property	48,512		322,871
General Health and Sanitation	253,062		
Social Services			
Roads		1,029,479	
Debt Service		103,708	
Capital Projects	48,522	3,623	
Administration	348,070	171,542	18,345
<b>Total Disbursements</b>	<b>2,086,945</b>	<b>1,308,352</b>	<b>341,216</b>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(502,628)</u>	<u>131,498</u>	<u>(243,602)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Payroll Revolving Account	19,259		
Transfers From Other Funds			239,200
Transfers To Other Funds	(113,750)		
<b>Total Other Adjustments to Cash (Uses)</b>	<b>(94,491)</b>		<b>239,200</b>
Net Change in Cash Balances and Cash Equivalents	(597,119)	131,498	(4,402)
Cash Balances and Cash Equivalents - Beginning (Restated)	1,352,853	523,971	6,886
Cash Balances and Cash Equivalents - Ending	<u>\$ 755,734</u>	<u>\$ 655,469</u>	<u>\$ 2,484</u>

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

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

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>Area Development Fund</b>	<b>Fire Protection Fund</b>	<b>Solid Waste Fund</b>	<b>Search and Rescue Fund</b>	<b>Local Government Economic Development Fund</b>	<b>Special Projects Multi-Coal Severance Fund</b>
\$	\$	\$ 2,339	\$	\$	\$	\$
311,811	4,000		1,500		117,944	
4,500			14,911	1,000		
193	2			2		513,335
<u>316,504</u>	<u>4,002</u>	<u>2,339</u>	<u>16,411</u>	<u>1,002</u>	<u>117,944</u>	<u>513,335</u>
58,256						
2,158		2,317				
23,614			82,714			
7,600						
103,969						
					112,415	320,840
<u>12,706</u>					<u>112,415</u>	<u>320,840</u>
<u>208,303</u>		<u>2,317</u>	<u>82,714</u>		<u>112,415</u>	<u>320,840</u>
108,201	4,002	22	(66,303)	1,002	5,529	192,495
(125,450)						(252,540)
<u>(125,450)</u>						<u>(252,540)</u>
(17,249)	4,002	22	(66,303)	1,002	5,529	(60,045)
141,747	1,979	2,570	108,482	1,685	58,893	151,839
<u>\$ 124,498</u>	<u>\$ 5,981</u>	<u>\$ 2,592</u>	<u>\$ 42,179</u>	<u>\$ 2,687</u>	<u>\$ 64,422</u>	<u>\$ 91,794</u>

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

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

	<b>Budgeted Funds</b>		
	<b>E-911 Fund</b>	<b>Animal Shelter Fund</b>	<b>Special Projects Fund</b>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	90,318	1,800	
Miscellaneous	2,709	1,432	75,000
Interest	35		5,146
Total Receipts	<u>93,062</u>	<u>3,232</u>	<u>80,146</u>
<b>DISBURSEMENTS</b>			
General Government			
Protection to Persons and Property	94,244		
General Health and Sanitation		56,814	
Social Services			
Roads			
Debt Service			
Capital Projects			435,121
Administration	19,626		
Total Disbursements	<u>113,870</u>	<u>56,814</u>	<u>435,121</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,808)</u>	<u>(53,582)</u>	<u>(354,975)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Payroll Revolving Account			
Transfers From Other Funds			252,540
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			<u>252,540</u>
Net Change in Cash Balances and Cash Equivalents	(20,808)	(53,582)	(102,435)
Cash Balances and Cash Equivalents - Beginning (Restated)	<u>36,706</u>	<u>95,017</u>	<u>718,682</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 15,898</u>	<u>\$ 41,435</u>	<u>\$ 616,247</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Cemetery Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 682,452
		8,166
		1,426
	806,125	3,440,871
		422,185
	1,400	522,183
	<u>807,525</u>	<u>5,077,283</u>
		1,447,035
		470,102
		416,204
		7,600
		1,133,448
	806,125	909,833
	1,010,265	1,930,786
	2,800	573,089
	<u>1,819,190</u>	<u>6,888,097</u>
	<u>(1,011,665)</u>	<u>(1,810,814)</u>
		19,259
		491,740
		(491,740)
		<u>19,259</u>
	(1,011,665)	(1,791,555)
50	1,330,214	4,531,574
<u>\$ 50</u>	<u>\$ 318,549</u>	<u>\$ 2,740,019</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	11
NOTE 2.	DEPOSITS.....	15
NOTE 3.	TRANSFERS .....	16
NOTE 4.	LONG-TERM DEBT.....	16
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM.....	18
NOTE 6.	INSURANCE.....	19
NOTE 7.	SUBSEQUENT EVENTS .....	19
NOTE 8.	CHANGE IN BASIS OF ACCOUNTING AND PRIOR PERIOD ADJUSTMENTS.....	19
NOTE 9.	RELATED PARTY TRANSACTIONS .....	19
NOTE 10.	NOTE RECEIVABLE – CHOP SHOP.....	19



**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2013**

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

**A. Reporting Entity**

The financial statement of Wolfe County includes all budgeted and unbudgeted funds under the control of the Wolfe County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created under the provisions of KRS 58.180 to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

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

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

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

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

Area Development Fund - The primary purpose of this fund is to account for grants received for area development related disbursements.

Fire Protection Fund - The primary purpose of this fund is to account for the receipts of fire acres tax paid and disbursements for fire protection due to the state government.

Solid Waste Fund - The primary purpose of this fund is to account for the expenses related to recycling and landfill. The primary sources of receipts for this fund are grants received from the state and federal governments.

Search and Rescue Fund - The primary purpose of this fund is to account for the expenses related to search and rescue. The primary source of receipts for this fund is donations.

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

Special Projects Multi-Co Coal Severance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

E-911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Animal Shelter Fund - The primary purpose of this fund is to account for grants and related disbursements to construct an animal shelter. The primary sources of receipts for this fund are grants from the state and federal governments.

Special Projects Fund - The primary purpose of this fund is to account for grants and related disbursements to construct a meat processing plant. The primary sources of receipts for this fund are grants from the state and federal governments.

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

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

**C. Basis of Presentation (Continued)**

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

Cemetery Fund - The purpose of this fund is to account for the cemetery road disbursements. The county did not budget this fund however, a budget is required.

Public Properties Corporation Fund - The purpose of this fund is to account for construction and debt service requirements of the Judicial Center building. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

**D. Budgetary Information**

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

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

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

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. 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 statement of Wolfe County, Kentucky.

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

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

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

**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. Long-term Obligations**

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

**H. Joint Ventures**

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 and Morgan County Fiscal Court: Three Forks Regional Jail and Wolfe-Morgan Industrial Development Authority.

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 STATEMENT**  
**June 30, 2013**  
**(Continued)**

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

**H. Joint Ventures (Continued)**

Three Forks Regional Jail

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.

Wolfe-Morgan Industrial Development Authority

April 2011, Morgan and Wolfe Counties entered into an interlocal agreement creating the Wolfe-Morgan Industrial Development Authority. The Authority was developed for the acquisition, development and retention of industry in Wolfe and Morgan counties. The Authority is comprised of a five member board of directors. Morgan and Wolfe counties appoint one member each. Both the Morgan County Judge/Executive and Wolfe County Judge/Executive are members. In addition, the counties jointly appoint the remaining member. The county used Community Block Development Grant funds to construct a meat processing plant at Wolfe-Morgan Industrial Park.

**Note 2. Deposits**

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

**Custodial Credit Risk - Deposits**

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

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

**Note 3. Transfers**

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

	General Fund	LGEA Fund	Special Projects Fund	Total Transfers In
Jail Fund	\$ 113,750	\$ 125,450		\$ 239,200
Coal Severance Fund			252,540	252,540
Total Transfers Out	<u>\$ 113,750</u>	<u>\$ 125,450</u>	<u>\$ 252,540</u>	<u>\$ 491,740</u>

Reason for transfers:

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

**Note 4. Long-term Debt**

**A. 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. The ending principal balance at June 30, 2013 was \$9,640,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 440,000	364,600
2015	450,000	355,800
2016	460,000	346,800
2017	470,000	336,450
2018	485,000	322,350
2019-2023	2,645,000	1,373,700
2024-2028	3,190,000	829,350
2029-2030	<u>1,500,000</u>	<u>113,500</u>
Totals	<u>\$ 9,640,000</u>	<u>\$ 4,042,550</u>

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

**Note 4. Long-term Debt (Continued)**

**B. Kentucky Association of Counties – Dump Truck**

On May 31, 2012, the Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to finance the purchase of a Mack dump truck. The lease is for \$99,000 at an interest rate of 4.15% per annum. Interest payments are due by the 20th of each month. The entire principal amount is due on December 20, 2013. The principal balance of the lease agreement was paid in full as of June 30, 2013.

**C. Kentucky Association of Counties – Dump Truck**

On May 1, 2013, the Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to finance the purchase of a Mack dump truck. The lease is for \$123,917 at an interest rate of 2.80% per annum. Interest payments are due by the 20th of each month. The entire principal amount is due on November 20, 2014. The principal balance of the agreement was \$123,917 as of June 30, 2013. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$	\$ 5,631
2015	123,917	2,346
Totals	<u>\$ 123,917</u>	<u>\$ 7,977</u>

**D. Changes In Long-term Debt**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 10,075,000	\$	\$ 435,000	\$ 9,640,000	\$ 440,000
Financing Obligations	99,000	123,917	99,000	123,917	
Total Long-term Debt	<u>\$ 10,174,000</u>	<u>\$ 123,917</u>	<u>\$ 534,000</u>	<u>\$ 9,763,917</u>	<u>\$ 440,000</u>

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

**Note 5. Employee Retirement System**

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

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

The county's contribution for FY 2011 was \$152,423, FY 2012 was \$168,730, and FY 2013 was \$192,254.

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.

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.

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.



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

**Note 6. Insurance**

For the fiscal year ended June 30, 2013, 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 7. Subsequent Events**

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

Wolfe County is one of three counties served by the Three Forks Regional Jail Authority, Inc. (a Joint Venture described at Note 1 H). On July 22, 2013, the Three Forks Regional Jail Authority issued their audit report for the fiscal year 2013 that contained the following going concern disclosure:

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

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

Wolfe County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The net effect was a decrease to the beginning balance of the General Fund by \$8,621 and an increase to the balance of the Jail Fund, Search and Rescue Fund, and Cemetery Fund by \$6,886, \$1,685 and \$50, respectively on the *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents-Regulatory Basis*.

**Note 9. Related Party Transactions**

The county paid \$3,987 to Smith's Restaurant for inmate lunches. Smith's Restaurant is owned by the county judge/executive's sister-in-law.

**Note 10. Note Receivable - The Chop Shop**

In January 2013, the county entered into a loan agreement of \$475,000 with the J.S.W. Farm, LLC DBA The Chop Shop for the purchase of the land and building pad located in the Morgan Wolfe County Industrial Park. The agreement requires annual payments of \$47,500 beginning January 31, 2014 made payable to the Wolfe County Fiscal Court. The county will forgive the principal and interest payments if the Chop Shop creates and maintains employment at levels equal or greater than fifteen (15) full-time employees for calendar year 2014 and 2015, increasing to thirty (30) full-time employees for the remaining eight (8) years of the agreement. The agreement further defines full-time employee as working 1,820 hours per year and average wage of at least \$14,650 per year, \$8 per hour average.

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**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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



**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 513,400	\$ 523,413	\$ 625,065	\$ 101,652
In Lieu Tax Payments	5,500	5,500		(5,500)
Excess Fees			8,166	8,166
Licenses and Permits	1,900	1,900	1,426	(474)
Intergovernmental	423,150	767,874	737,076	(30,798)
Charges for Services	100	100		(100)
Miscellaneous	19,500	186,357	211,557	25,200
Interest	421	421	1,027	606
Total Receipts	<u>963,971</u>	<u>1,485,565</u>	<u>1,584,317</u>	<u>98,752</u>
<b>DISBURSEMENTS</b>				
General Government	651,791	1,450,245	1,388,779	61,466
Protection to Persons and Property	37,967	52,806	48,512	4,294
General Health and Sanitation	458,320	483,123	253,062	230,061
Capital Projects			48,522	(48,522)
Administration	370,000	754,023	348,070	405,953
Total Disbursements	<u>1,518,078</u>	<u>2,740,197</u>	<u>2,086,945</u>	<u>653,252</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(554,107)</u>	<u>(1,254,632)</u>	<u>(502,628)</u>	<u>752,004</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	189,107	189,107		(189,107)
Transfers To Other Funds	(100,000)	(130,000)	(113,750)	16,250
Total Other Adjustments to Cash (Uses)	<u>89,107</u>	<u>59,107</u>	<u>(113,750)</u>	<u>(172,857)</u>
Net Change in Cash Balances and Cash Equivalents	(465,000)	(1,195,525)	(616,378)	579,147
Cash Balances and Cash Equivalents - Beginning (Restated)	465,000	1,352,853	1,352,853	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 157,328</u>	<u>\$ 736,475</u>	<u>\$ 579,147</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 50,000	\$ 55,048	\$ 55,048	\$
Intergovernmental	1,038,258	1,357,782	1,272,856	(84,926)
Miscellaneous	100,100	103,643	110,910	7,267
Interest	1,000	1,000	1,036	36
Total Receipts	<u>1,189,358</u>	<u>1,517,473</u>	<u>1,439,850</u>	<u>(77,623)</u>
<b>DISBURSEMENTS</b>				
Roads	1,100,489	1,260,534	1,029,479	231,055
Debt Service	105,800	105,800	103,708	2,092
Capital Projects	50,000	4,000	3,623	377
Administration	223,962	482,003	171,542	310,461
Total Disbursements	<u>1,480,251</u>	<u>1,852,337</u>	<u>1,308,352</u>	<u>543,985</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(290,893)</u>	<u>(334,864)</u>	<u>131,498</u>	<u>466,362</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(189,107)</u>	<u>(189,107)</u>		<u>189,107</u>
Total Other Adjustments to Cash (Uses)	<u>(189,107)</u>	<u>(189,107)</u>		<u>189,107</u>
Net Change in Cash Balances and Cash Equivalents	(480,000)	(523,971)	131,498	655,469
Cash Balances and Cash Equivalents - Beginning	<u>480,000</u>	<u>523,971</u>	<u>523,971</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 655,469</u>	<u>\$ 655,469</u>

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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 64,859	\$ 92,281	\$ 97,441	\$ 5,160
Miscellaneous	100	100	166	66
Interest	15	15	7	(8)
Total Receipts	<u>64,974</u>	<u>92,396</u>	<u>97,614</u>	<u>5,218</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	266,500	342,500	322,871	19,629
Administration	18,300	33,782	18,345	15,437
Total Disbursements	<u>284,800</u>	<u>376,282</u>	<u>341,216</u>	<u>35,066</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(219,826)</u>	<u>(283,886)</u>	<u>(243,602)</u>	<u>40,284</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	217,000	277,000	239,200	(37,800)
Total Other Adjustments to Cash (Uses)	<u>217,000</u>	<u>277,000</u>	<u>239,200</u>	<u>(37,800)</u>
Net Change in Cash Balances and Cash Equivalents	(2,826)	(6,886)	(4,402)	2,484
Cash Balances and Cash Equivalents - Beginning	<u>2,826</u>	<u>6,886</u>	<u>6,886</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,484</u>	<u>\$ 2,484</u>

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

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 210,000	\$ 311,811	\$ 311,811	\$
Miscellaneous		4,500	4,500	
Interest	150	150	193	43
Total Receipts	<u>210,150</u>	<u>316,461</u>	<u>316,504</u>	<u>43</u>
<b>DISBURSEMENTS</b>				
General Government	35,206	59,006	58,256	750
Protection to Persons and Property	3,200	3,200	2,158	1,042
General Health and Sanitation	30,600	31,600	23,614	7,986
Social Services	7,700	7,700	7,600	100
Recreation and Culture	4,000	4,000		4,000
Road Facilities	109,319	109,319	103,969	5,350
Administration	13,125	96,383	12,706	83,677
Total Disbursements	<u>203,150</u>	<u>311,208</u>	<u>208,303</u>	<u>102,905</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7,000</u>	<u>5,253</u>	<u>108,201</u>	<u>(102,862)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				
Transfers To Other Funds	(117,000)	(147,000)	(125,450)	21,550
Total Other Adjustments to Cash (Uses)	<u>(117,000)</u>	<u>(147,000)</u>	<u>(125,450)</u>	<u>21,550</u>
Net Change in Cash Balances and Cash Equivalents	(110,000)	(141,747)	(17,249)	124,498
Cash Balances and Cash Equivalents - Beginning	110,000	141,747	141,747	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,498</u>	<u>\$ 124,498</u>



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

	<b>AREA DEVELOPMENT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,000	\$
Interest	3	3	2	(1)
Total Receipts	<u>4,003</u>	<u>4,003</u>	<u>4,002</u>	<u>(1)</u>
<b>DISBURSEMENTS</b>				
Capital Projects	5,803	5,803		5,803
Total Disbursements	<u>5,803</u>	<u>5,803</u>		<u>5,803</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,800)</u>	<u>(1,800)</u>	4,002	5,802
Net Change in Cash Balances and Cash Equivalents	(1,800)	(1,800)	4,002	5,802
Cash Balances and Cash Equivalents - Beginning	<u>1,800</u>	<u>1,800</u>	<u>1,979</u>	<u>179</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,981</u>	<u>\$ 5,981</u>

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

	<b>FIRE PROTECTION FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,300	\$ 2,300	\$ 2,339	\$ 39
Total Receipts	<u>2,300</u>	<u>2,300</u>	<u>2,339</u>	<u>39</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	4,855	4,855	2,317	2,538
Total Disbursements	<u>4,855</u>	<u>4,855</u>	<u>2,317</u>	<u>2,538</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,555)</u>	<u>(2,555)</u>	<u>22</u>	<u>(2,499)</u>
Net Change in Cash Balances and Cash Equivalents	(2,555)	(2,555)	22	2,577
Cash Balances and Cash Equivalents - Beginning	<u>2,555</u>	<u>2,555</u>	<u>2,570</u>	<u>15</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,592</u>	<u>\$ 2,592</u>

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

<b>SOLID WASTE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 1,500	\$ 1,500
Miscellaneous	12,000	12,000	14,911	2,911
Total Receipts	<u>12,000</u>	<u>12,000</u>	<u>16,411</u>	<u>4,411</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	62,000	134,882	82,714	52,168
Total Disbursements	<u>62,000</u>	<u>134,882</u>	<u>82,714</u>	<u>52,168</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(122,882)</u>	<u>(66,303)</u>	<u>56,579</u>
Net Change in Cash Balances and Cash Equivalents	(50,000)	(122,882)	(66,303)	56,579
Cash Balances and Cash Equivalents - Beginning	<u>50,000</u>	<u>108,482</u>	<u>108,482</u>	<u></u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (14,400)</u>	<u>\$ 42,179</u>	<u>\$ 56,579</u>

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

	<b>SEARCH &amp; RESCUE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 500	\$ 500	\$ 1,000	\$ 500
Interest	2	2	2	
Total Receipts	<u>502</u>	<u>502</u>	<u>1,002</u>	<u>500</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	<u>1,902</u>	<u>1,902</u>		<u>1,902</u>
Total Disbursements	<u>1,902</u>	<u>1,902</u>		<u>1,902</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,400)</u>	<u>(1,400)</u>	<u>1,002</u>	<u>2,402</u>
Net Change in Cash Balances and Cash Equivalents	(1,400)	(1,400)	1,002	2,402
Cash Balances and Cash Equivalents - Beginning	<u>1,400</u>	<u>1,400</u>	<u>1,685</u>	<u>285</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,687</u>	<u>\$ 2,687</u>

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

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 117,944	\$ (32,056)
Total Receipts	<u>150,000</u>	<u>150,000</u>	<u>117,944</u>	<u>(32,056)</u>
<b>DISBURSEMENTS</b>				
Capital Projects	150,000	208,893	112,415	96,478
Total Disbursements	<u>150,000</u>	<u>208,893</u>	<u>112,415</u>	<u>96,478</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(58,893)</u>	<u>5,529</u>	<u>64,422</u>
Net Change in Cash Balances and Cash Equivalents		<u>(58,893)</u>	<u>5,529</u>	<u>64,422</u>
Cash Balances and Cash Equivalents - Beginning		<u>58,893</u>	<u>58,893</u>	<u>0</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 64,422</u>	<u>\$ 64,422</u>

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

**SPECIAL PROJECT MULTI-CO COAL SEVERANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 151,825	\$ 151,825	\$	\$ (151,825)
Interest		513,336	513,335	1
Total Receipts	151,825	665,161	513,335	(151,824)
<b>DISBURSEMENTS</b>				
Capital Projects	151,825	808,089	320,840	487,249
Total Disbursements	151,825	808,089	320,840	487,249
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(142,928)	192,495	335,423
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds			(252,540)	(252,540)
Total Other Adjustments to Cash (Uses)			(252,540)	(252,540)
Net Change in Cash Balances and Cash Equivalents		(142,928)	(60,045)	82,883
Cash Balances and Cash Equivalents - Beginning			151,839	151,839
Cash Balances and Cash Equivalents - Ending	\$ 0	\$ (142,928)	\$ 91,794	\$ 234,722

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

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 84,000	\$ 90,317	\$ 90,318	\$ 1
Miscellaneous			2,709	2,709
Interest	100	100	35	(65)
Total Receipts	<u>84,100</u>	<u>90,417</u>	<u>93,062</u>	<u>2,645</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	103,500	108,817	94,244	14,573
Administration	20,900	21,900	19,626	2,274
Total Disbursements	<u>124,400</u>	<u>130,717</u>	<u>113,870</u>	<u>16,847</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(40,300)</u>	<u>(40,300)</u>	<u>(20,808)</u>	<u>19,492</u>
Net Change in Cash Balances and Cash Equivalents	(40,300)	(40,300)	(20,808)	19,492
Cash Balances and Cash Equivalents - Beginning	40,300	40,300	36,706	(3,594)
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,898</u>	<u>\$ 15,898</u>

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

	<b>ANIMAL SHELTER FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 1,800	\$ 1,800
Miscellaneous			1,432	1,432
Total Receipts			<u>3,232</u>	<u>3,232</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	<u>95,016</u>	<u>95,016</u>	<u>56,814</u>	<u>38,202</u>
Total Disbursements	<u>95,016</u>	<u>95,016</u>	<u>56,814</u>	<u>38,202</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(95,016)</u>	<u>(95,016)</u>	<u>(53,582)</u>	<u>41,434</u>
Net Change in Cash Balances and Cash Equivalents	(95,016)	(95,016)	(53,582)	41,434
Cash Balances and Cash Equivalents - Beginning	<u>95,016</u>	<u>95,016</u>	<u>95,017</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,435</u>	<u>\$ 41,435</u>



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

	<b>SPECIAL PROJECTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$	\$	\$ 75,000	\$ 75,000
Interest	14,000	14,000	5,146	(8,854)
Total Receipts	<u>14,000</u>	<u>14,000</u>	<u>80,146</u>	<u>66,146</u>
<b>DISBURSEMENTS</b>				
Capital Projects	854,000	854,000	435,121	418,879
Total Disbursements	<u>854,000</u>	<u>854,000</u>	<u>435,121</u>	<u>418,879</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(840,000)</u>	<u>(840,000)</u>	<u>(354,975)</u>	<u>485,025</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			252,540	252,540
Total Other Adjustments to Cash (Uses)			<u>252,540</u>	<u>252,540</u>
Net Change in Cash Balances and Cash Equivalents	(840,000)	(840,000)	(102,435)	737,565
Cash Balances and Cash Equivalents - Beginning	840,000	840,000	718,682	(121,318)
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 616,247</u>	<u>\$ 616,247</u>

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

**June 30, 2013**

**Note 1. Budgetary Information**

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

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

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

**Note 2. General Fund Reconciliation**

Reconciliation to Statement of Receipts, Disbursements, and Changes in Cash Balance and Cash Equivalents - Regulatory Basis

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (113,750)
To adjust for Payroll Revolving Account	<u>19,259</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ (94,491)</u>
Cash Balances and Cash Equivalents - Ending - Budgetary Basis	\$ 736,475
To adjust for Payroll Revolving Account	<u>19,259</u>
Total Cash Balances and Cash Equivalents - Ending - Regulatory Basis	<u>\$ 755,734</u>

**Note 3. Disbursements Exceeding Budgeted Appropriations**

Capital Projects disbursements in the General Fund exceeded budgeted appropriations by \$48,522.

**WOLFE COUNTY  
SUPPLEMENTARY SCHEDULE  
Other Information - Regulatory Basis  
For The Year Ended June 30, 2013**



**WOLFE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

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

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,419,851	\$	\$	\$ 1,419,851
Construction In Progress	9,807,706	1,500,200		11,307,906
Buildings	890,597			890,597
Vehicles	950,057	275,864		1,225,921
Equipment	345,039	1,873	9,462	337,450
Infrastructure	1,804,960	377,066		2,182,026
 Total Capital Assets	 <u>\$ 15,218,210</u>	 <u>\$ 2,155,003</u>	 <u>\$ 9,462</u>	 <u>\$17,363,751</u>

In addition, the beginning balances for capital assets were adjusted for prior year corrections. The net effect of these adjustments to the beginning balance for equipment was an increase of \$27,764 and for vehicles a decrease by \$2,385.

**WOLFE COUNTY**  
**NOTES TO OTHER INFORMATION**

**June 30, 2013**

**Note 1. Capital Assets**

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

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

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







**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

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 The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated March 20, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

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

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

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



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Wolfe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2013-01, 2013-02, 2013-03, 2013-04, 2013-05, and 2013-06.

**Purpose of this Report**

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

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

March 20, 2014

**WOLFE COUNTY  
COMMENTS AND RECOMMENDATIONS**

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



**WOLFE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2013**

**STATE LAWS AND REGULATIONS:**

**2013-01 The County Should Cease The Practice Of Selling County's Gravel Surplus**

---

The county has been purchasing gravel in excess of the county's needs and selling it to private individuals. Gravel sales totaled \$4,842 for fiscal year 2013. Purchases were made at the county garage and receipts were prepared and provided to customers. Funds were then given to the county judge/executive. The first deposit was made on April 19, 2013 for \$3,063 consisting of funds collected from March 13, 2012 through April 19, 2013. It is not the responsibility of the county government to provide gravel for purchase for private individuals. Costs incurred from gravel purchases include the price of the gravel, expenses are incurred for trucks used for hauling, fuel bills and payroll for truck drivers. In addition to not recovering all costs associated with the purchase of the gravel, there is also the appearance and opportunity for gravel to be used for private purposes.

We recommend the county cease the practice of selling the county's gravel surplus and only use county funds for the maintenance of county property.

*County Judge/Executive's Response: No response.*

**2013-02 The County Should Maintain Evidence For All Disbursements**

---

The county used credit cards for a variety of purposes during fiscal year 2013, including conferences and meals purchases, computer and software purchases as well as parts for equipment repairs. Credit card use is allowable, however all purchases must be evidenced by original detailed invoices to determine if those purchases are allowable and for county business. Of the total \$15,301 of credit card invoices tested, \$7,312 did not have a detailed invoice. Since the county did not require all purchases to have detailed original invoices attached, we could not determine that payments made for the disbursements were appropriate. The county should require individuals that use the county's credit card, maintain all original detailed invoices or the use of the credit card should be limited to those individuals who abide by the requirement of original detailed evidence for all charges.

*County Judge/Executive's Response: No response.*

**2013-03 The County Should Enter Into A Detailed Written Agreement With Their Ambulance Service**

---

During our audit we found the County did not have a detailed written agreement with their Ambulance Service. The current agreement only contains the county leasing the ambulance service a building for annual rent of \$1 and use of four county ambulances and equipment. Any written agreement for services provided for a local government should be detailed in order to clearly state the responsibilities for each party involved in the agreement. The agreement should include items such as use of county vehicles, when and where the county vehicles are used and who is responsible for repairs of these vehicles and other related items including the lease for the county building. Without a detailed written agreement, the entities involved can become confused as to the responsibility of each party. We recommend the county consult with the county attorney about drafting a detailed written agreement between the county and the new ambulance service.

*County Judge/Executive's Response: No response.*

**WOLFE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2013-04 The County Should Reimbursement \$22,734 Of KBEMS Funds To The Kentucky Board Of  
Emergency Medical Services

---

Kentucky Board of Emergency Medical Service (KBEMS) funds are paid to the county in advance. The county is required to spend the funds on allowable purchases as noted in their grant application or on allowable purchases of ambulances and equipment, such as heart monitors detailed in 202 KAR 7:520. Invoices are then provided to the KBEMS personnel for final approval. Funds are usually received in May of one fiscal year and all disbursements should be made by June of the following fiscal year.

The county received funds of \$10,084 for fiscal year 2010, \$11,009 for fiscal year 2011, \$10,169 for fiscal year 2012, and \$630 for fiscal year 2013. Based on information gathered from KBEMS personnel the county has only provided invoices of \$9,158 that has been designated to fiscal year 2011 funds. Fiscal year 2013 funds were reduced by the funds already received for fiscal year 2010, where no disbursements for ambulance equipment were made. \$22,734 of total KBEMS grant funds is available for ambulance disbursements at the present time.

The county has a new ambulance service that began providing services in June 2012. While the county is an approved agency to expend grant funds, the new service has not applied to the KBEMS for agency status in order to receive any of these funds or be reimbursed from these funds. Based on information gathered, the deadline has passed and it is too late to apply to use the before mentioned grant funds for equipment or ambulance purchased in use for the new ambulance service.

Therefore, the \$22,734 of KBEMS grant funds should be reimbursed to the Kentucky Board of Emergency Medical Services since the ambulance service approved by them is no longer servicing the area and the new service is not an approved agency. We will refer this to the county attorney and to the Kentucky Board of Emergency Medical Services.

*County Judge/Executive's Response: No response.*

2013-05 Invoices Provided Did Not Properly Substantiate Ambulance Reimbursements

---

In addition to the above mentioned items, the county provided us with two invoices totaling \$26,950 for ambulances purchased by their new ambulance service. The county reimbursed the new ambulance service \$22,105 for this purchase from the KBEMS grant funds. The invoices provided listed the make, model, and vehicle identification number (VIN) of the ambulances the ambulance service was requesting for. Our testing revealed the VIN of the listed vehicles could not be located in the county clerk's registration system, AVIS, which registers and tracks all vehicles registered in Kentucky. The county provides insurance on the ambulances, however these ambulances could not be found on the insurance list. Also, the ambulances noted on the invoices would not have been allowable disbursements of the grant funds because they were older than three model years based on the KBEMS regulations and 202 KAR 7:250.

Upon inquiry of the ambulance service, we were told they decided to purchase different ambulances than the ones noted on the invoices provided to the county. The ambulance service was asked to provide the new invoices to document the purchase and ensure the ambulances were in fact in the county's name and insurance was provided on them. However, the invoices requested to support the ambulance purchases were not provided. Therefore, the new ambulance service received county funds based on false documentation that was not accurate and did not substantiate the reimbursement made.

**WOLFE COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2013-05 Invoices Provided Did Not Properly Substantiate Ambulance Reimbursements

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We recommend the County consult with the County Attorney to determine if the ambulance service should reimburse the County the \$22,105.

*County Judge/Executive's Response: No response.*

2013-06 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation

---

The county used \$48,522 of restricted Community Block Development Grant (CDBG) funds to pay for sidewalk renovation. The County was awarded a \$300,000 CDBG Grant for the purposes of construction of a meat processing plant at the Wolfe-Morgan Multi-County Industrial Development Authority Park. Per the CDBG grant Agreement allowable costs for this grant only include expenses related to the construction of the meat processing plant. In addition, 2 CFR Part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87) states in part that governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices and assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award. Therefore, the use of funds to build sidewalks that are not related to the purpose of the grant would be an unallowable expense.

By using CDBG funds for non-allowable expenses the county has the potential to lose future federal funding and may have to pay back funds received that were used incorrectly.

Since these funds were restricted for the construction of a meat processing plant and should not be used for any other purpose, the county should reimburse the special project funds where CDBG funds were deposited. On March 7, 2014, the county transferred \$48,522 from the general fund to the special projects fund as required.

We will refer this matter to the Department for Local Government, the oversight agency for review.

*County Judge/Executive's Response: No response.*

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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, 2013**

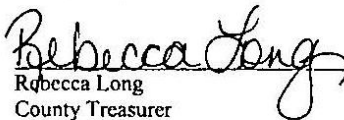


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

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.

  
Dennis Brooks  
County Judge/Executive

  
Rebecca Long  
County Treasurer

