

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

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



**ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOLFE COUNTY FISCAL COURT

June 30, 2014

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

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Wolfe County, Kentucky. In accordance with OMB Circular A-133, we have issued a modified opinion on the compliance requirements that are applicable to Wolfe County's major federal program: Highway Planning and Construction (CFDA #20.205).

Financial Condition:

The Wolfe County Fiscal Court had total receipts of \$4,570,288 and disbursements of \$6,401,610 in fiscal year 2014. This resulted in a total ending fund balance of \$1,907,305, which is a decrease of \$813,455 from the prior year.

Report Comments:

- 2014-001 Gravel Disbursements Increased Significantly During Fiscal Year 2014 And \$3,185 Undeposited Funds From Gravel Sales Were Noted
- 2014-002 The County Should Maintain Evidence For All Disbursements
- 2014-003 The County Should Enter Into A Detailed Written Agreement With Its Ambulance Service
- 2014-004 The County Should Reimburse \$22,734 Of KBEMS Funds To The Kentucky Board Of Emergency Medical Services
- 2014-005 The County Should Have A Corrective Action Plan To Address Prior Year Invoices That Did Not Properly Substantiate Ambulance Reimbursements
- 2014-006 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation
- 2014-007 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes
- 2014-008 The County Should Reimburse The Kentucky Transportation Cabinet \$21,410 In Order To Comply With Federal Matching Requirement

Deposits:

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

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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 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 Fund Balances - Regulatory Basis of Wolfe County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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



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

As described in more fully in Note 1, the financial statement is prepared by 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, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of 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, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is 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, capital asset schedule, and schedule of expenditures of federal awards 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, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2015 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 schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2014-001 Gravel Disbursements Increased Significantly During Fiscal Year 2014 And \$3,185 Undeposited Funds From Gravel Sales Were Noted
- 2014-002 The County Should Maintain Evidence For All Disbursements
- 2014-003 The County Should Enter Into A Detailed Written Agreement With Its Ambulance Service
- 2014-004 The County Should Reimburse \$22,734 Of KBEMS Funds To The Kentucky Board Of Emergency Medical Services
- 2014-005 The County Should Have A Corrective Action Plan To Address Prior Year Invoices That Did Not Properly Substantiate Ambulance Reimbursements
- 2014-006 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation
- 2014-007 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes
- 2014-008 The County Should Reimburse The Kentucky Transportation Cabinet \$21,410 In Order To Comply With Federal Matching Requirement

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 17, 2015

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2014

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 FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2014

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

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 616,734	\$ 49,749	\$
Excess Fees	23,790		
Licenses and Permits	1,664		
Intergovernmental	639,529	1,460,360	85,280
Charges for Services			1,539
Miscellaneous	82,775	157,586	5
Interest	463	543	
Total Receipts	<u>1,364,955</u>	<u>1,668,238</u>	<u>86,824</u>
DISBURSEMENTS			
General Government	770,976		
Protection to Persons and Property	43,187		224,298
General Health and Sanitation	151,387		
Social Services	8,917		
Recreation and Culture			
Roads		2,029,749	
Debt Service		180,002	
Capital Projects	4,000	97,278	
Administration	424,442	183,730	17,922
Total Disbursements	<u>1,402,909</u>	<u>2,490,759</u>	<u>242,220</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(37,954)</u>	<u>(822,521)</u>	<u>(155,396)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account	17,867		
KACO Lease Proceeds		1,000,000	
Transfers From Other Funds	189,642	226,471	155,000
Transfers To Other Funds	(337,720)	(416,113)	
Total Other Adjustments to Cash (Uses)	<u>(130,211)</u>	<u>810,358</u>	<u>155,000</u>
Net Change in Fund Balance	(168,165)	(12,163)	(396)
Fund Balance - Beginning - (Restated)	736,475	655,469	2,484
Fund Balance - Ending	<u>\$ 568,310</u>	<u>\$ 643,306</u>	<u>\$ 2,088</u>
Composition of Fund Balance			
Bank Balance	\$ 629,867	\$ 644,534	\$ 2,158
Less: Outstanding Checks	(61,557)	(1,228)	(70)
Fund Balance - Ending	<u>\$ 568,310</u>	<u>\$ 643,306</u>	<u>\$ 2,088</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	Area Development Fund	Fire Protection Fund	Solid Waste Fund	Search and Rescue Fund	Local Government Economic Development Fund	Special Projects Multi-Coal Severance Fund
\$	\$	\$ 2,317	\$	\$	\$	\$
260,233	2,348		43,950		187,654	
49			18,177		20,491	6,665
112	2			2		
<u>260,394</u>	<u>2,350</u>	<u>2,317</u>	<u>62,127</u>	<u>2</u>	<u>208,145</u>	<u>6,665</u>
44,651						
125	4,880	2,317				
17,593			62,394			
7,600						
18,500						
59,639						
11,944					161,213	98,459
<u>160,052</u>	<u>4,880</u>	<u>2,317</u>	<u>62,394</u>	<u></u>	<u>161,213</u>	<u>98,459</u>
100,342	(2,530)		(267)	2	46,932	(91,794)
<u>(93,750)</u>						
<u>(93,750)</u>						
6,592	(2,530)		(267)	2	46,932	(91,794)
124,498	5,981	2,592	42,179	2,687	64,422	91,794
<u>\$ 131,090</u>	<u>\$ 3,451</u>	<u>\$ 2,592</u>	<u>\$ 41,912</u>	<u>\$ 2,689</u>	<u>\$ 111,354</u>	<u>\$ 0</u>
\$ 131,090	\$ 3,451	\$ 2,592	\$ 41,912	\$ 2,689	\$ 114,244	\$
					(2,890)	
<u>\$ 131,090</u>	<u>\$ 3,451</u>	<u>\$ 2,592</u>	<u>\$ 41,912</u>	<u>\$ 2,689</u>	<u>\$ 111,354</u>	<u>\$ 0</u>

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

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

	<u>Budgeted Funds</u>		
	<u>E-911 Fund</u>	<u>Animal Shelter Fund</u>	<u>Special Projects Fund</u>
RECEIPTS			
Taxes	\$	\$	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	98,726	1,650	
Charges for Services			
Miscellaneous	486	553	
Interest	12		704
Total Receipts	<u>99,224</u>	<u>2,203</u>	<u>704</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property	63,173		
General Health and Sanitation		31,326	
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Capital Projects			740,292
Administration	9,890		
Total Disbursements	<u>73,063</u>	<u>31,326</u>	<u>740,292</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>26,161</u>	<u>(29,123)</u>	<u>(739,588)</u>
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			
KACO Lease Proceeds			
Transfers From Other Funds			276,470
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			<u>276,470</u>
Net Change in Fund Balance	26,161	(29,123)	(463,118)
Fund Balance - Beginning	15,898	41,435	616,247
Fund Balance - Ending	<u>\$ 42,059</u>	<u>\$ 12,312</u>	<u>\$ 153,129</u>
Composition of Fund Balance			
Bank Balance	\$ 42,059	\$ 12,312	\$ 153,129
Less Outstanding Checks			
Ending Fund Balance	<u>\$ 42,059</u>	<u>\$ 12,312</u>	<u>\$ 153,129</u>

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

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

<u>Unbudgeted Funds</u>		
<u>Cemetery Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$	\$	\$ 668,800
		23,790
		1,664
	806,140	3,585,870
		1,539
		286,787
		1,838
	<u>806,140</u>	<u>4,570,288</u>
		815,627
		337,980
		262,700
		16,517
		18,500
		2,089,388
	804,600	984,602
	127,126	1,240,312
		635,984
	<u>931,726</u>	<u>6,401,610</u>
	<u>(125,586)</u>	<u>(1,831,322)</u>
		17,867
		1,000,000
		847,583
		<u>(847,583)</u>
		<u>1,017,867</u>
	(125,586)	(813,455)
50	318,549	2,720,760
<u>\$ 50</u>	<u>\$ 192,963</u>	<u>\$ 1,907,305</u>
\$ 50	\$ 192,963	\$ 1,973,050
		(65,745)
<u>\$ 50</u>	<u>\$ 192,963</u>	<u>\$ 1,907,305</u>

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

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TO THE FINANCIAL STATEMENT**

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WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

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 may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for 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, 2014
(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 regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

The State Local Finance Officer does not require the Public Properties Corporation Fund or the General Obligation Bond 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, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

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, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Ventures (Continued)

Three Forks Regional Jail (Continued)

On December 1, 2000, the three participating counties established the Three Forks Regional Jail Authority pursuant to the provisions of KRS 441.800 and KRS 441.810 to act as the constituted authority of the participating counties in the acquisition, construction, equipping, and operation of the Three Forks Regional Jail.

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

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, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

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

Reason for transfers:

	General Fund	Road Fund	LGEA Fund	Total Transfers In
General Fund	\$	\$ 189,642	\$	\$ 189,642
Road Fund	226,471			226,471
Jail Fund	61,250		93,750	155,000
Special Projects Fund	49,999	226,471		276,470
Total Transfers Out	<u>\$ 337,720</u>	<u>\$ 416,113</u>	<u>\$ 93,750</u>	<u>\$ 847,583</u>

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, 2014 was \$9,200,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 450,000	\$ 355,800
2016	460,000	346,800
2017	470,000	336,450
2018	485,000	322,350
2019	495,000	307,800
2020-2024	2,740,000	1,282,050
2025-2029	3,330,000	688,200
2030	770,000	38,500
Totals	<u>\$ 9,200,000</u>	<u>\$ 3,677,950</u>

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

Note 4. Long-term Debt (Continued)

B. 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 lease agreement was paid in full as of June 30, 2014.

C. Kentucky Association of Counties – Black Top

On October 9, 2013, the Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to blacktop county roads. The lease is for \$1,000,000 at an interest rate of 3.84% per annum. Interest payments are due by the 20th of each month. The entire principal amount is due on January 20, 2029. The principal balance of the agreement was \$979,167 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 50,000	\$ 41,873
2016	52,083	40,580
2017	55,000	39,239
2018	55,000	37,829
2019	57,084	36,294
2020-2024	336,250	128,501
2025-2029	373,750	51,623
Totals	<u>\$ 979,167</u>	<u>\$ 375,939</u>

D. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 9,640,000	\$	\$ 440,000	\$ 9,200,000	\$ 450,000
Financing Obligations	123,917	1,000,000	144,750	979,167	50,000
Total Long-term Debt	<u>\$ 9,763,917</u>	<u>\$ 1,000,000</u>	<u>\$ 584,750</u>	<u>\$10,179,167</u>	<u>\$ 500,000</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(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 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$168,063, FY 2013 was \$187,546, and FY 2014 was \$196,366.

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

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

CERS also provides post retirement health care coverage as follows:

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

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

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

Note 5. Employee Retirement System (Continued)

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

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

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

Note 6. Deferred Compensation

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

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

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

Note 7. Insurance

For the fiscal year ended June 30, 2014, Wolfe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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

Note 8. 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.

Three Forks Regional Jail Authority audit for fiscal year 2014 has not been completed as of end of field work, therefore we will continue to disclose this going concern issue.

Note 9. Prior Period Adjustments

The beginning balance of the General Fund was decreased by \$19,259 to account for the prior year Payroll Revolving Account balance. This has resulted in a restated beginning balance of \$736,475 for the General Fund.

Note 10. Related Party Transactions

The county paid \$2,265 to Smith's Restaurant for inmate lunches. Smith's Restaurant is owned by the county judge/executive's sister-in-law.

Note 11. Payroll Revolving Account

The reconciled balance of the Payroll Revolving Account as of June 30, 2014, was added to the General Fund cash balance for financing reporting purposes.

Note 12. 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.

WOLFE COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 501,400	\$ 610,045	\$ 616,734	\$ 6,689
Excess Fees		22,774	23,790	1,016
Licenses and Permits	1,250	1,250	1,664	414
Intergovernmental	551,742	659,965	639,529	(20,436)
Charges for Services	100	100		(100)
Miscellaneous	17,500	49,262	82,775	33,513
Interest	800	800	463	(337)
Total Receipts	1,072,792	1,344,196	1,364,955	20,759
DISBURSEMENTS				
General Government	729,469	872,185	770,976	101,209
Protection to Persons and Property	17,654	48,854	43,187	5,667
General Health and Sanitation	373,920	406,341	151,387	254,954
Social Services		9,009	8,917	92
Capital Projects		4,000	4,000	
Administration	505,391	651,975	424,442	227,533
Total Disbursements	1,626,434	1,992,364	1,402,909	589,455
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(553,642)	(648,168)	(37,954)	610,214
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	189,642	416,113	189,642	(226,471)
Transfers To Other Funds	(100,000)	(326,471)	(337,720)	(11,249)
Total Other Adjustments to Cash (Uses)	89,642	89,642	(148,078)	(237,720)
Net Change in Fund Balance	(464,000)	(558,526)	(186,032)	372,494
Fund Balance - Beginning	464,000	784,997	736,475	(48,522)
Fund Balance - Ending	\$ 0	\$ 226,471	\$ 550,443	\$ 323,972

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

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 55,000	\$ 55,000	\$ 49,749	\$ (5,251)
Intergovernmental	1,085,794	1,173,646	1,460,360	286,714
Miscellaneous	100,500	121,321	157,586	36,265
Interest	1,000	1,000	543	(457)
Total Receipts	<u>1,242,294</u>	<u>1,350,967</u>	<u>1,668,238</u>	<u>317,271</u>
DISBURSEMENTS				
Roads	1,170,728	1,431,900	2,029,749	(597,849)
Debt Service	129,548	180,198	180,002	196
Capital Projects	50,000	97,278	97,278	
Administration	264,376	282,418	183,730	98,688
Total Disbursements	<u>1,614,652</u>	<u>1,991,794</u>	<u>2,490,759</u>	<u>(498,965)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(372,358)</u>	<u>(640,827)</u>	<u>(822,521)</u>	<u>(181,694)</u>
Other Adjustments to Cash (Uses)				
KACO Lease Proceeds			1,000,000	1,000,000
Transfers From Other Funds			226,471	226,471
Transfers To Other Funds	(189,642)	(189,642)	(416,113)	(226,471)
Total Other Adjustments to Cash (Uses)	<u>(189,642)</u>	<u>(189,642)</u>	<u>810,358</u>	<u>1,000,000</u>
Net Change in Fund Balance	(562,000)	(830,469)	(12,163)	818,306
Fund Balance - Beginning	<u>562,000</u>	<u>655,469</u>	<u>655,469</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (175,000)</u>	<u>\$ 643,306</u>	<u>\$ 818,306</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 67,459	\$ 77,459	\$ 85,280	\$ 7,821
Miscellaneous			1,539	1,539
Interest	5	5	5	
Total Receipts	<u>67,464</u>	<u>77,464</u>	<u>86,824</u>	<u>9,360</u>
DISBURSEMENTS				
Protection to Persons and Property	271,500	271,493	224,298	47,195
Administration	18,900	28,907	17,922	10,985
Total Disbursements	<u>290,400</u>	<u>300,400</u>	<u>242,220</u>	<u>58,180</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(222,936)</u>	<u>(222,936)</u>	<u>(155,396)</u>	<u>67,540</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>220,000</u>	<u>220,000</u>	<u>155,000</u>	<u>(65,000)</u>
Total Other Adjustments to Cash (Uses)	<u>220,000</u>	<u>220,000</u>	<u>155,000</u>	<u>(65,000)</u>
Net Change in Fund Balance	(2,936)	(2,936)	(396)	2,540
Fund Balance - Beginning	<u>2,936</u>	<u>2,936</u>	<u>2,484</u>	<u>(452)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,088</u>	<u>\$ 2,088</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 214,000	\$ 214,000	\$ 260,233	\$ 46,233
Miscellaneous			49	49
Interest	150	150	112	(38)
Total Receipts	<u>214,150</u>	<u>214,150</u>	<u>260,394</u>	<u>46,244</u>
DISBURSEMENTS				
General Government	46,886	46,886	44,651	2,235
Protection to Persons and Property	3,200	3,200	125	3,075
General Health and Sanitation	34,500	34,500	17,593	16,907
Social Services	7,700	7,700	7,600	100
Recreation and Culture		18,500	18,500	
Roads	59,664	59,664	59,639	25
Administration	17,200	48,197	11,944	36,253
Total Disbursements	<u>169,150</u>	<u>218,647</u>	<u>160,052</u>	<u>58,595</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>45,000</u>	<u>(4,497)</u>	<u>100,342</u>	<u>104,839</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(120,000)</u>	<u>(120,000)</u>	<u>(93,750)</u>	<u>26,250</u>
Total Other Adjustments to Cash (Uses)	<u>(120,000)</u>	<u>(120,000)</u>	<u>(93,750)</u>	<u>26,250</u>
Net Change in Fund Balance	(75,000)	(124,497)	6,592	131,089
Fund Balance - Beginning	<u>75,000</u>	<u>124,497</u>	<u>124,498</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 131,090</u>	<u>\$ 131,090</u>

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

	AREA DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,000	\$ 3,000	\$ 2,348	\$ (652)
Interest	2	2	2	
Total Receipts	<u>3,002</u>	<u>3,002</u>	<u>2,350</u>	<u>(652)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,802	8,983	4,880	4,103
Total Disbursements	<u>4,802</u>	<u>8,983</u>	<u>4,880</u>	<u>4,103</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,800)</u>	<u>(5,981)</u>	<u>(2,530)</u>	<u>3,451</u>
Net Change in Fund Balance	(1,800)	(5,981)	(2,530)	3,451
Fund Balance - Beginning	<u>1,800</u>	<u>5,981</u>	<u>5,981</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,451</u>	<u>\$ 3,451</u>

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

FIRE PROTECTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 2,200	\$ 2,200	\$ 2,317	117
Total Receipts	<u>2,200</u>	<u>2,200</u>	<u>2,317</u>	<u>117</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>4,700</u>	<u>4,700</u>	<u>2,317</u>	<u>2,383</u>
Total Disbursements	<u>4,700</u>	<u>4,700</u>	<u>2,317</u>	<u>2,383</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,500)</u>	<u>(2,500)</u>		<u>2,500</u>
Net Change in Fund Balance	(2,500)	(2,500)		2,500
Fund Balance - Beginning	<u>2,500</u>	<u>2,500</u>	<u>2,592</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,592</u>	<u>\$ 2,500</u>

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 15,000	\$ 43,950	\$ 43,950	\$
Miscellaneous	12,000	13,991	18,177	4,186
Total Receipts	<u>27,000</u>	<u>57,941</u>	<u>62,127</u>	<u>4,186</u>
DISBURSEMENTS				
General Health and Sanitation	57,000	63,500	62,394	1,106
Administration		36,621		36,621
Total Disbursements	<u>57,000</u>	<u>100,121</u>	<u>62,394</u>	<u>37,727</u>
Net Change in Fund Balance	(30,000)	(42,180)	(267)	41,913
Fund Balance - Beginning	<u>30,000</u>	<u>42,180</u>	<u>42,179</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,912</u>	<u>\$ 41,912</u>

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

SEARCH AND RESCUE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,700	\$ 1,700		\$ (1,700)
Miscellaneous	1,000	1,000		(1,000)
Interest	2	2	2	
Total Receipts	<u>2,702</u>	<u>2,702</u>	<u>2</u>	<u>(2,700)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,900	4,900		4,900
Total Disbursements	<u>4,900</u>	<u>4,900</u>		<u>4,900</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,198)</u>	<u>(2,198)</u>	<u>2</u>	<u>2,200</u>
Net Change in Fund Balance	(2,198)	(2,198)	2	2,200
Fund Balance - Beginning	<u>2,198</u>	<u>2,198</u>	<u>2,687</u>	<u>489</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,689</u>	<u>\$ 2,689</u>

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 80,000	\$ 80,000	\$ 187,654	\$ 107,654
Miscellaneous		20,000	20,491	491
Total Receipts	<u>80,000</u>	<u>100,000</u>	<u>208,145</u>	<u>108,145</u>
DISBURSEMENTS				
Capital Projects	80,000	164,422	161,213	3,209
Total Disbursements	<u>80,000</u>	<u>164,422</u>	<u>161,213</u>	<u>3,209</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(64,422)</u>	<u>46,932</u>	<u>111,354</u>
Net Change in Fund Balance		(64,422)	46,932	111,354
Fund Balance - Beginning		<u>64,422</u>	<u>64,422</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 111,354</u>	<u>\$ 111,354</u>

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

SPECIAL MULTI COUNTY FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 6,665	\$ 6,665	\$
Total Receipts		6,665	6,665	
DISBURSEMENTS				
Capital Projects		105,125	98,459	6,666
Total Disbursements		105,125	98,459	6,666
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(98,460)	(91,794)	6,666
Net Change in Fund Balance		(98,460)	(91,794)	6,666
Fund Balance - Beginning		91,794	91,794	
Fund Balance - Ending	\$ 0	\$ (6,666)	\$ 0	\$ 6,666

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

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 98,726	\$ 13,726
Miscellaneous			486	486
Interest	100	100	12	(88)
Total Receipts	<u>85,100</u>	<u>85,100</u>	<u>99,224</u>	<u>14,124</u>
DISBURSEMENTS				
Protection to Persons and Property	87,500	87,500	63,173	24,327
Administration	25,300	25,300	9,890	15,410
Total Disbursements	<u>112,800</u>	<u>112,800</u>	<u>73,063</u>	<u>39,737</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(27,700)</u>	<u>(27,700)</u>	<u>26,161</u>	<u>53,861</u>
Net Change in Fund Balance	(27,700)	(27,700)	26,161	53,861
Fund Balance - Beginning	<u>27,700</u>	<u>27,700</u>	<u>15,898</u>	<u>(11,802)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,059</u>	<u>\$ 42,059</u>

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

ANIMAL SHELTER FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 1,650	\$ 1,650	\$
Miscellaneous		250	553	303
Total Receipts		1,900	2,203	303
DISBURSEMENTS				
General Health and Sanitation	42,000	43,900	31,326	12,574
Total Disbursements	42,000	43,900	31,326	12,574
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(42,000)	(42,000)	(29,123)	12,877
Net Change in Fund Balance	(42,000)	(42,000)	(29,123)	12,877
Fund Balance - Beginning	42,000	42,000	41,435	(565)
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,312	\$ 12,312

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

SPECIAL SIDEWALK FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 400,000	\$ 400,000	\$	\$ (400,000)
Total Receipts	<u>400,000</u>	<u>400,000</u>		<u>(400,000)</u>
DISBURSEMENTS				
Capital Projects	400,000	172,243		172,243
Total Disbursements	<u>400,000</u>	<u>172,243</u>		<u>172,243</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>227,757</u>		<u>(227,757)</u>
Net Change in Fund Balance		<u>227,757</u>		<u>(227,757)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 227,757</u>	<u>\$ 0</u>	<u>\$ (227,757)</u>

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

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,500	\$ 1,500	\$ 704	\$ (796)
Total Receipts	<u>1,500</u>	<u>1,500</u>	<u>704</u>	<u>(796)</u>
DISBURSEMENTS				
Capital Projects	501,500	841,787	740,292	101,495
Total Disbursements	<u>501,500</u>	<u>841,787</u>	<u>740,292</u>	<u>101,495</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(500,000)</u>	<u>(840,287)</u>	<u>(739,588)</u>	<u>100,699</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			276,470	276,470
Total Other Adjustments to Cash (Uses)			<u>276,470</u>	<u>276,470</u>
Net Change in Fund Balance	(500,000)	(840,287)	(463,118)	377,169
Fund Balance - Beginning	<u>500,000</u>	<u>567,725</u>	<u>616,247</u>	<u>48,522</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (272,562)</u>	<u>\$ 153,129</u>	<u>\$ 425,691</u>

WOLFE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

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

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

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

Note 2. General Fund Reconciliation

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

Other Adjustments to Cash (Uses) - Budgetary Balance	\$ (148,078)
To adjust for Payroll Revolving Account	<u>17,867</u>
Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (130,211)</u>
Fund Balance - Ending - Budgetary Balance	\$ 550,443
To adjust for Payroll Revolving Account	<u>17,867</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 568,310</u>

Note 3. Excess of Disbursements Over Appropriations

Road disbursements from the Road Fund exceeded budgeted appropriations by \$597,849 due to Wolfe County not budgeting the disbursement of the KACO Lease Proceeds for asphalt.

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

WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,435,546	\$ 16,000	\$	\$ 1,451,546
Construction In Progress	11,307,906	28,443	11,253,092	83,257
Buildings	874,902	11,682,179		12,557,081
Vehicles	1,225,921	22,150	149,517	1,098,554
Equipment	337,450	46,500		383,950
Infrastructure	2,182,026	1,318,918		3,500,944
 Total Capital Assets	 <u>\$ 17,363,751</u>	 <u>\$ 13,114,190</u>	 <u>\$ 11,402,609</u>	 <u>\$ 19,075,332</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 land and land improvements was an increase of \$15,695 and for buildings a decrease by \$15,695.

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

June 30, 2014

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 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

WOLFE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WOLFE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2014

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
<u>Cash Programs:</u>		
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through Department for Local Government:		
Community Development Block Grants/State's Program (CFDA 14.228)	N/A	\$ 265,551
<u>U.S. Department of Transportation</u>		
Passed Through Kentucky Transportation Cabinet:		
Highway Planning and Construction (CFDA 20.205)		
Campton Pedway Phase II	P02-628-1100005461	419,307 **
<u>U.S. Department of Homeland Security</u>		
Passed Through Kentucky Department of Military Affairs:		
Emergency Management Performance Grants (CFDA 97.042)	N/A	<u>7,248</u>
Total Cash Expenditures of Federal Awards		<u>\$ 692,106</u>

**Tested as Major Program

WOLFE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wolfe County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2014 or were deemed high risk. There was one Type A programs. The major programs tested were:

- Highway Planning and Construction (CFDA# 20.205)

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2014.

**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 Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated March 17, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Wolfe County Fiscal Court's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, and 2014-007.

County Judge's Responses to Findings

The Wolfe County Judge's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County Judge's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

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 17, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Dennis Brooks, Wolfe County Judge/Executive
Members of the Wolfe County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Wolfe County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Wolfe County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wolfe County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wolfe County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wolfe County's compliance.

Basis For Modified Opinion On Highway Planning and Construction CFDA #20.205

As described in the accompanying schedule of findings and questioned costs, Wolfe County did not comply with requirements regarding Highway Planning and Construction (CFDA 20.205) as described in finding 2014-008 for Matching, Level of Effort, and Earmarking. Compliance with such requirements is necessary, in our opinion, for Wolfe County to comply with the requirements applicable to that program.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Modified Opinion on Highway Planning and Construction CFDA #20.205

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, Wolfe County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Highway Planning and Construction CFDA 20.205 for the year ended June 30, 2014.

Internal Control over Compliance

The management of Wolfe County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our compliance audit, we considered Wolfe County's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our compliance auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wolfe County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-008 to be a material weakness.

The Wolfe County Judge's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Wolfe County Judge's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts

March 17, 2015

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**WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2014

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unmodified opinion on the financial statement audit*

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	<u>X</u> No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported
Is any noncompliance material to financial statements noted?	<u>X</u> Yes	___ No

Federal Awards

Type of auditor's report issued on compliance for major programs: *Modified Opinion on the Single Audit*

Internal control over major programs:

Are any material weaknesses identified?	<u>X</u> Yes	___ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	<u>X</u> Yes	___ No

Identification of major programs:

CFDA Number(s) and Name of Federal Program or Cluster

CFDA #20.205 Highway Planning and Construction	
--	--

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations

2014-001 Gravel Disbursements Increased Significantly During Fiscal Year 2014 And \$3,185 Undeposited Funds From Gravel Sales Were Noted

During audit procedures, we were made aware of numerous issues noted involving gravel.

- Based on receipts ledgers, there were no gravels sales receipts posted to the ledger after January 29, 2014.
- When asked if there were any gravels sales the county told us they had stopped.
- Based on receipts at the Road Department, there were approximately \$3,185 in gravel sales in the current fiscal year from August 2014 – December 6, 2014.
- In reviewing receipts books there were 19 missing receipts at the road department.
- Auditors were told the Road Foreman tried to cash checks, at the county's bank, made out to the Fiscal Court. When asked, the Road Foreman stated he did because they were using the cash to offset county disbursements by paying cash at the quarry.

Based on this, we could not determine the amount of gravel sales that were made and deposited into the county's bank accounts for FYE 6/30/14. However, we did find the amount the county spent on gravel for Fiscal year 2014 increased significantly during the fiscal year. The county expends funds from both the road and LGEA fund for the purchase of gravel. We reviewed gravel purchased for the fiscal year and noted in July through November 2013, they averaged \$10,293 per month for that 5 month time period. Then in December 2013, gravel disbursements increased significantly, averaging \$22,399 for December 2013 through June 2014. This represents a 218% increase in the average gravel disbursements from the first five months of the fiscal year to the last seven months of the fiscal year.

In addition, we noted gravel purchases decreased in July 2014 through January 2015 averaging only \$10,727 for these months.

We question why gravel disbursements increased by more than two times, then decreased back down during the period noted when gravel sales were supposed to have stopped. Not having proper controls and records over gravel sales causes increased risk of fraud and misuse.

We recommend the county review gravel disbursements and be mindful of the amount of purchases they are making and ensure all county assets are used for the intended purpose of maintaining the county road system. The county should cease the sale of gravel, a county asset. Furthermore, the county should maintain proper records and all funds should be given to the treasurer to record and deposit. The county should not pay for any county disbursements with cash.

County Judge/Executive Dennis Brooks' Response: Trying to help people!

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations (Continued)

2014-002 The County Should Maintain Evidence For All Disbursements

The county used credit cards for a variety of purposes during fiscal year 2014, including conferences and meal 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 \$20,057 of credit card invoices tested, \$3,702 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 credit card should be limited to those individuals who abide by the requirement of original detailed evidence for all charges.

County Judge/Executive Dennis Brooks' Response: Has been fixed.

2014-003 The County Should Enter Into A Detailed Written Agreement With Its Ambulance Service

During our audit, we found the County did not have a detailed written agreement with its 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 lease for 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 Dennis Brooks' Response: County Attorney has contract.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations (Continued)

2014-004 The County Should Reimburse \$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, \$630 for fiscal year 2013, and no funds were received for fiscal year 2014. 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 purchased. \$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 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 ambulances purchased and 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 Dennis Brooks' Response: ?

2014-005 The County Should Have A Corrective Action Plan To Address Prior Year Invoices That Did Not
 Properly Substantiate Ambulance Reimbursements

The County has not addressed this prior year issue; therefore, it should prepare a corrective action plan. In fiscal year 2013, 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, 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.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations (Continued)

2014-005 The County Should Have A Corrective Action Plan To Address Prior Year Invoices That Did Not Properly Substantiate Ambulance Reimbursements (Continued)

Therefore, the new ambulance service received county funds based on false documentation that was not accurate and did not substantiate the reimbursement made.

We recommend the County consult with the County Attorney and prepare a corrective action plan to address this prior year issue and determine if the ambulance service should reimburse the County the \$22,105.

County Judge/Executive Dennis Brooks' Response: Fixed.

2014-006 The County Used Community Block Development Grant Funds To Pay For Sidewalk Renovation

The county used \$198,271 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. The county received reimbursement from Kentucky Department of Transportation and then reimbursed \$198,271 funds on September 9, 2014.

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

County Judge/Executive Dennis Brooks' Response: Has been corrected.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

State Laws And Regulations (Continued)

2014-007 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes

The ambulance service that services Wolfe County and is located in the county does not pay occupational tax on the employees that work in Wolfe County. According to the Occupational Tax Ordinance, all persons engaged in trade, occupation or profession within Wolfe County, employed by another, shall pay a license fee measured by one and one fourth percent (1 ¼%) of gross receipts paid for such service. The ordinance goes on to state that it does not matter if the employee is a resident of Wolfe County or not. Since the ambulance service began operation in 2012, no payroll taxes have been reported or paid to the county. By allowing the ambulance service to not pay local taxes, the county did not receive funds they are entitled to. We recommend the county direct the occupational tax administrator to contact the ambulance service and instruct them to withhold and pay the appropriate occupational tax to the county.

County Judge/Executive Dennis Brooks' Response: It's coming.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

2014-008 The County Should Reimburse The Kentucky Transportation Cabinet \$21,410 In Order To Comply With Federal Matching Requirement

Federal Program: CFDA #20.205 - Highway Planning and Construction

Federal Agency: U.S. Department of Transportation

Compliance Area: Matching, Level of Effort, Earmarking

Amount of Questioned Costs: \$21,410

The Highway Planning and Construction Program is a reimbursement grant. All expenditures were made by the county and then submitted to the Kentucky Transportation Cabinet (KYTC). After all expenditures are reviewed and approved by KYTC, the county was reimbursed for 80% of total project expenditures. The county was allowed to offset their matching by in-kind expenditures. The in-kind expenditures consisted of county and city employees that flagged traffic and county and city equipment used to haul rock and dirt, also their other related expenditures.

During the review of the in-kind expenditures and supporting documentation provided to KYTC, we noted \$21,410 of actual grant expenditures that were also included on the in-kind expenditures increasing the funds reimbursed by KYTC. These consisted of purchases of rock and pipe as well as other miscellaneous expenditures.

As a result, the county received reimbursements of \$21,410 in excess of the allowable amount.

The county should review all in-kind expenditures and ensure that actual expenditures of the grant are not included as in-kind matching totals. Furthermore, the Kentucky Transportation Cabinet should be reimbursed \$21,410 due to the above-mentioned issue. We refer this matter to the Kentucky Transportation Cabinet.

County Judge/Executive Dennis Brooks' Response: A bit confused on this one.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit
(Continued)

2014-008 The County Should Reimburse The Kentucky Transportation Cabinet \$21,410 In Order To
Comply With Federal Matching Requirement (Continued)

Auditor's Reply: As noted above the County used \$21,410 of grant expenditures as part of their in-kind match.

Section IV: Summary Schedule of Prior Audit Findings (FEDERAL FINDINGS ONLY)

None.

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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, 2014**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Wolfe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and 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

