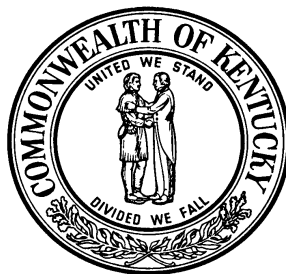


**REPORT OF THE AUDIT OF THE
WOLFE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2012**



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

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administrative Cabinet

Honorable Dennis Brooks, Wolfe County Judge/Executive

Members of the Wolfe County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements.

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

Respectfully submitted,

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

Adam H. Edelen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOLFE COUNTY FISCAL COURT

June 30, 2012

Tichenor & Associates, LLP has completed the audit of the Wolfe County Fiscal Court for fiscal year ended June 30, 2012. We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Wolfe County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$7,992,508 as of June 30, 2012. The fiscal court had unrestricted net assets of \$3,201,360 in its governmental activities as of June 30, 2012. The fiscal court had total debt principal as of June 30, 2012 of \$10,174,000 with \$435,000 due within the next year.

Report Comment:

2012-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In The County's Capital Asset Schedules

Deposits:

The fiscal court's deposits as of August 31, 2011 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$287,985

The fiscal court deposits were insured and collateralized by bank securities or bond as of June 30, 2012.

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APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND
DEVELOPMENT PROGRAMS

TICHENOR & ASSOCIATES, LLP
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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Dennis Brooks, Wolfe County Judge/Executive

Members of the Wolfe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wolfe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of June 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wolfe County, Kentucky's basic financial statements as a whole. The combining fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements fairly stated in all material respects in relation to the basic financial statements as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2012 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 comment and recommendation, included herein, which discusses the following report comment:

2012-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In The County's Capital Asset Schedules

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

December 6, 2012

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2012

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	Finance Officer
Tracy Sparks	Occupational Tax Collector
Rebecca Long	Payroll Officer
Mike Oliver	Road Supervisor
Rebecca Long	911 Administrator

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WOLFE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

WOLFE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,531,574
Asset Held For Resale	119,341
Total Current Assets	4,650,915
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation:	
Land and Land Improvements	1,419,851
Construction in Progress	9,807,706
Buildings	483,711
Building Improvements	8,373
Equipment	134,136
Vehicles	422,140
Infrastructure	1,239,676
Total Noncurrent Assets	13,515,593
Total Assets	18,166,508
 LIABILITIES	
Current Liabilities:	
Revenue Bonds	435,000
Total Current Liabilities	435,000
Noncurrent Liabilities:	
Revenue Bonds	9,640,000
Financing Obligations Payable	99,000
Total Noncurrent Liabilities	9,739,000
Total Liabilities	10,174,000
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,791,148
Restricted for:	
General Health and Sanitation	203,499
Roads	141,747
Capital Projects	1,330,214
Unrestricted	1,525,900
Total Net Assets	\$ 7,992,508

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

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

For The Year Ended June 30, 2012

WOLFE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 979,030	\$ 22,760	\$ 1,424,263	\$
Protection to Persons and Property	425,951	1,549	377,136	
General Health and Sanitation	223,390		68,027	2,904
Social Services	9,997			
Recreation and Culture	1,990			
Roads	841,395		1,631,004	
Interest on Long-term Debt	385,725			
Capital Projects	294,573			689,534
Total Governmental Activities	\$ 3,162,051	\$ 24,309	\$ 3,500,430	\$ 692,438

General Revenues:

Taxes:

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

Excess Fees

Interest Income

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

WOLFE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Net (Expenses)	
Revenues and	
Changes in Net Assets	
Primary Government	
Governmental	
Activities	
\$	467,993
	(47,266)
	(152,459)
	(9,997)
	(1,990)
	789,609
	(385,725)
	394,961
	<u>1,055,126</u>
	109,898
	6,137
	29,574
	411,884
	79,168
	1,921
	18,286
	<u>961,040</u>
	<u>1,617,908</u>
	2,673,034
	<u>5,319,474</u>
\$	<u><u>7,992,508</u></u>

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

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WOLFE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

WOLFE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	General Fund	Road Fund	Local Government Economic Assistance Fund	Special Projects Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,361,474	\$ 523,971	\$ 141,747	\$ 718,682
Total Assets	<u>1,361,474</u>	<u>523,971</u>	<u>141,747</u>	<u>718,682</u>
FUND BALANCES				
Restricted for:				
General Health and Sanitation				
Roads			141,747	
Capital Projects				
Assigned To:				
Protection to Persons and Property	6,886			
Roads		523,971		
Social Services	1,685			
Capital Projects				
Unassigned	<u>1,352,903</u>			<u>718,682</u>
Total Fund Balances	<u>\$ 1,361,474</u>	<u>\$ 523,971</u>	<u>\$ 141,747</u>	<u>\$ 718,682</u>

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

WOLFE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2012
(Continued)

Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 1,330,214	\$ 455,486	\$ 4,531,574
<u>1,330,214</u>	<u>455,486</u>	<u>4,531,574</u>
	203,499	203,499
		141,747
1,330,214		1,330,214
	39,276	46,162
		523,971
		1,685
	212,711	212,711
		<u>2,071,585</u>
<u>\$ 1,330,214</u>	<u>\$ 455,486</u>	<u>\$ 4,531,574</u>

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

Total Fund Balances	\$ 4,531,574
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	15,192,831
Accumulated Depreciation	(1,677,238)
Asset Held For Resale Are Not Financial Resources And Therefore Are Not Reported In The Funds.	119,341
Long-Term Debt Is Not Due and Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Bonds	(10,075,000)
Financing Obligations	<u>(99,000)</u>
Net Assets Of Governmental Activities	<u>\$ 7,992,508</u>

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

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

For The Year Ended June 30, 2012

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

For The Year Ended June 30, 2012

	General Fund	Road Fund	Local Government Economic Assistance Fund	Special Projects Fund
REVENUES				
Taxes	\$ 631,273	\$	\$	\$
In Lieu Tax Payments		50,008		
Excess Fees	1,921			
Licenses and Permits	1,416			
Intergovernmental	697,922	1,469,355	324,023	
Charges for Services	600			
Miscellaneous	822,143	53,171	1,442	
Interest	1,231	1,763	306	10,931
Total Revenues	<u>2,156,506</u>	<u>1,574,297</u>	<u>325,771</u>	<u>10,931</u>
EXPENDITURES				
General Government	626,183		25,873	
Protection to Persons and Property	308,465		2,268	
General Health and Sanitation	166,148		24,387	
Social Services			7,600	
Roads		1,160,593	87,482	
Debt Service:				
Principal		243,819		
Interest		8,225		
Capital Projects		66,078		200,177
Administration	334,005	170,335	12,448	
Total Expenditures	<u>1,434,801</u>	<u>1,649,050</u>	<u>160,058</u>	<u>200,177</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>721,705</u>	<u>(74,753)</u>	<u>165,713</u>	<u>(189,246)</u>
Other Financing Sources (Uses)				
Finance Obligation Proceeds		99,000		
Proceeds from Sale of Assets Held for Resale		109,025		
Transfers From Other Funds	239,000			
Transfers To Other Funds		(125,000)	(114,000)	
Total Financing Sources (Uses)	<u>239,000</u>	<u>83,025</u>	<u>(114,000)</u>	
Net Change in Fund Balances	960,705	8,272	51,713	(189,246)
Fund Balances - Beginning	400,769	515,699	90,034	907,928
Fund Balances - Ending	<u>\$ 1,361,474</u>	<u>\$ 523,971</u>	<u>\$ 141,747</u>	<u>\$ 718,682</u>

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

WOLFE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2012
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 2,331	\$ 633,604
		50,008
		1,921
		1,416
803,900	922,353	4,217,553
	34,941	35,541
	108	876,864
3,947		18,178
<u>807,847</u>	<u>959,733</u>	<u>5,835,085</u>
		652,056
	98,204	408,937
	70,107	260,642
		7,600
		1,248,075
425,000		668,819
377,500		385,725
4,654,834	587,665	5,508,754
	18,907	535,695
<u>5,457,334</u>	<u>774,883</u>	<u>9,676,303</u>
<u>(4,649,487)</u>	<u>184,850</u>	<u>(3,841,218)</u>
		99,000
		109,025
		239,000
		<u>(239,000)</u>
		208,025
<u>(4,649,487)</u>	<u>184,850</u>	<u>(3,633,193)</u>
<u>5,979,701</u>	<u>270,636</u>	<u>8,164,767</u>
<u>\$ 1,330,214</u>	<u>\$ 455,486</u>	<u>\$ 4,531,574</u>

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

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

For The Year Ended June 30, 2012

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

For The Year Ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (3,633,193)
Governmental Funds Report Assets Held for Resale as Expenditures. However, These Expenditures Are Not Reported in the Statement of Activities	
Assets Held for Resale, Disposed of	(118,137)
Purchase of Assets Held for Resale	119,341
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	6,004,329
Depreciation Expense	(259,923)
Assets disposed of, net book value	(9,202)
The Issuance Of Long-Term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Financing Obligation And Bond Principal Payments Are Expensed In The Governmental Funds As A Use Of Current Financial Resources. These Transactions Have No Effect On Net Assets.	
Financing Obligation Proceeds	(99,000)
Revenue Bond Principal Payments	425,000
Financing Obligations Principal Payments	243,819
Changes in Net Assets of Governmental Activities	\$ 2,673,034

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Reporting Entity

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

Blended Component Units

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

Wolfe County Public Properties Corporation

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

Wolfe-Morgan Multi-County Industrial Development Authority

The Wolfe County Fiscal Court appoints part of the Industrial Developments Authorities' governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable to the Industrial Development Authority.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Wolfe County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Wolfe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Wolfe County, Kentucky.

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

D. Government-wide and Fund Financial Statements

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

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

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Governmental Funds

The fiscal court reports the following major governmental funds:

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

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

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

Special Projects Fund - The purpose of this fund is to account for economic development revenues for Wolfe County Fiscal Court. The primary source of the money for the county is coal severance funds received. The funds may be used for economic development.

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

The primary government also has the following non-major funds: Area Development Fund, Fire Protection Fund, Local Government Economic Development Fund, Solid Waste Fund, Animal Shelter Fund, E-911 Fund, and Special Projects Multi-Co Coal Severance Fund.

Special Revenue Funds:

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Capital Projects Fund:

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

E. Deposits and Investments

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

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

F. Capital Assets

Capital assets, which include land, land improvements, construction in progress, buildings and building improvements, infrastructure assets (roads and bridges), equipment, and vehicles that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable.

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

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

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

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

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

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

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

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

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

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

J. Joint Venture

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

Three Forks Regional Jail

On October 6, 2000, the counties of Lee, Owsley, and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000 the corporation issued \$6,295,000 of first mortgage revenue bonds

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

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

The Three Forks Regional Jail Authority and the Three Forks Public Property Corporation are comprised of an eight-member board of directors. Lee County appoints three of the eight members. Wolfe and Owsley counties appoint two members each. In addition the Lee County Jailer is a required member of the board. A copy of the Three Forks Regional Jail audit report may be obtained by writing the management at 2475 Center Street, Beattyville, KY 41311 or on the web at www.auditor.ky.gov.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 2. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2012, all deposits were covered by FDIC insurance or properly collateralized. However, as of August 31, 2011, \$287,985 of the primary government's public funds were exposed to custodial risk because one bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$287,985

Note 3. Interfund Transfers

The table below shows the interfund operating transfers for fiscal year 2012.

<u>Transfers In</u>	<u>Transfers Out</u>		
	<u>Road Fund</u>	<u>LGEA Fund</u>	<u>Total</u>
General Fund	<u>\$ 125,000</u>	<u>\$ 114,000</u>	<u>\$ 239,000</u>
Total Transfers Out	<u>\$ 125,000</u>	<u>\$ 114,000</u>	<u>\$ 239,000</u>

Reason for transfers:

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Reporting Entity			Ending Balance
	Restated Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,337,851	\$ 82,000	\$	\$ 1,419,851
Construction In Progress	4,593,525	5,214,181		9,807,706
Total Capital Assets Not Being Depreciated	5,931,376	5,296,181		11,227,557
Capital Assets Being Depreciated:				
Buildings	874,902			874,902
Building Improvements	15,695			15,695
Equipment	296,886	37,000	(16,611)	317,275
Vehicles	787,037	194,805	(29,400)	952,442
Infrastructure	1,328,617	476,343		1,804,960
Total Capital Assets Being Depreciated	3,303,137	708,148	(46,011)	3,965,274
Less Accumulated Depreciation For:				
Buildings	(375,403)	(15,788)		(391,191)
Building Improvements	(6,276)	(1,046)		(7,322)
Equipment	(164,026)	(32,402)	13,289	(183,139)
Vehicles	(493,466)	(60,356)	23,520	(530,302)
Infrastructure	(414,953)	(150,331)		(565,284)
Total Accumulated Depreciation	(1,454,124)	(259,923)	36,809	(1,677,238)
Total Capital Assets Being Depreciated, Net	1,849,013	448,225	(9,202)	2,288,036
Governmental Activities Capital Assets, Net	<u>\$ 7,780,389</u>	<u>\$ 5,744,406</u>	<u>\$ (9,202)</u>	<u>\$ 13,515,593</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 29,965
Protection to Persons and Property	13,111
General Health and Sanitation	29,682
Social Services	2,397
Recreation and Culture	1,990
Roads, Including Depreciation of General Infrastructure Assets	182,778
Total Depreciation Expense - Governmental Activities	<u>\$ 259,923</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt

A. Kentucky Area Development Districts - Dump Truck

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

B. Kentucky Area Development Districts - Dump Truck

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

C. First Mortgage Revenue Bonds - Judicial Building

In April 2010, Wolfe County Public Properties Corporation entered into an agreement for the issuance of \$10,930,000 First Mortgage Revenue Bonds, Series 2010, to finance the costs of a new Justice Center facility. The bonds were issued for a twenty year period, with semi-annual interest payments due May 1 and November 1 of each year beginning November 1, 2010, and principal due upon maturity at May 1, 2030. The ending principal balance at June 30, 2012 was \$10,075,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 435,000	\$ 371,125
2014	440,000	364,600
2015	450,000	355,800
2016	460,000	346,800
2017	470,000	336,450
2018-2022	2,565,000	1,457,300
2023-2027	3,060,000	958,350
2028-2030	2,195,000	223,250
Totals	<u>\$ 10,075,000</u>	<u>\$ 4,413,675</u>

D. Kentucky Association of Counties - Trucks and Snow Blades

On January 26, 2009, the Fiscal Court entered into a capital lease agreement with Kentucky Association of Counties for the purpose of purchasing trucks and snow plows. The principal of the agreement was \$80,000. The County will make monthly principal and interest payments commencing February 20, 2009. The debt was fully paid in May 2012.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 5. Long-term Debt (Continued)

E. Kentucky Association of Counties - Dump Truck

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

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$	\$ 4,817
2014	99,000	2,290
Totals	<u>\$ 99,000</u>	<u>\$ 7,107</u>

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 10,500,000	\$	\$ 425,000	\$ 10,075,000	\$ 435,000
Financing Obligations	243,819	99,000	243,819	99,000	
Governmental Activities Long Term Liabilities	<u>\$ 10,743,819</u>	<u>\$ 99,000</u>	<u>\$ 668,819</u>	<u>\$ 10,174,000</u>	<u>\$ 435,000</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. 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 18.96 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 35.76 percent.

The county's contribution for FY 2010 was \$130,760, FY 2011 was \$152,423, and FY 2012 was \$168,730.

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

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

CERS also provides post retirement health care coverage as follows:

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

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012
(Continued)

Note 6. Employee Retirement System (Continued)

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

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

Note 7. Insurance

For the fiscal year ended June 30, 2012, Wolfe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Year Adjustments

The beginning net assets of the governmental activities have been restated to include the net cost of certain capital assets that had been omitted in prior year. The effect of this change is a net increase of \$324,331.

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

June 30, 2012

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

June 30, 2012

	Area Development Fund	Fire Protection Fund	Local Government Economic Development Fund	Solid Waste Fund	Animal Shelter Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,979	\$ 2,570	\$ 58,893	\$ 108,482	\$ 95,017
Total Assets	<u>1,979</u>	<u>2,570</u>	<u>58,893</u>	<u>108,482</u>	<u>95,017</u>
FUND BALANCES					
Restricted For:					
General Health and Sanitation				108,482	95,017
Assigned To:					
Protection to Persons and Property		2,570			
Capital Projects	1,979		58,893		
Total Fund Balances	<u>\$ 1,979</u>	<u>\$ 2,570</u>	<u>\$ 58,893</u>	<u>\$ 108,482</u>	<u>\$ 95,017</u>

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

WOLFE COUNY
COMBINING BALANCE SHEET-
NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
Other Supplementary Information
For the Year Ended June 30, 2012
(Continued)

E-911 Fund	Special Projects Multi-Co Coal Severance Fund	Total Non-Major Governmental Funds
<u>\$ 36,706</u>	<u>\$ 151,839</u>	<u>\$ 455,486</u>
<u>36,706</u>	<u>151,839</u>	<u>455,486</u>
		203,499
<u>36,706</u>	<u>151,839</u>	<u>39,276</u>
		<u>212,711</u>
<u>\$ 36,706</u>	<u>\$ 151,839</u>	<u>\$ 455,486</u>

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

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WOLFE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2012

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

For The Year Ended June 30, 2012

	Area Development Fund	Fire Protection Fund	Local Government Economic Development Fund	Solid Waste Fund	Animal Shelter Fund
REVENUES					
Taxes	\$	\$ 2,331	\$	\$	\$
Intergovernmental	2,904		105,025	135,993	2,000
Miscellaneous			16,199	18,742	
Interest					
Total Revenues	<u>2,904</u>	<u>2,331</u>	<u>121,224</u>	<u>154,735</u>	<u>2,000</u>
EXPENDITURES					
Protection to Persons and Property					
General Health and Sanitation		2,317		67,790	
Capital Projects	2,899		152,100		
Administration					
Total Expenditures	<u>2,899</u>	<u>2,317</u>	<u>152,100</u>	<u>67,790</u>	
Excess (Deficiency) of Revenues					
Expenditures Before Other					
Financing Sources (Uses)	<u>5</u>	<u>14</u>	<u>(30,876)</u>	<u>86,945</u>	<u>2,000</u>
Net Change in Fund Balances	5	14	(30,876)	86,945	2,000
Fund Balances - Beginning	<u>1,974</u>	<u>2,556</u>	<u>89,769</u>	<u>21,537</u>	<u>93,017</u>
Fund Balances - Ending	<u>\$ 1,979</u>	<u>\$ 2,570</u>	<u>\$ 58,893</u>	<u>\$ 108,482</u>	<u>\$ 95,017</u>

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

WOLFE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2012
(Continued)

E-911 Fund	Special Projects Multi-Coal Severance Fund	Total Non-Major Governmental Funds
\$	\$	\$ 2,331
91,922	584,509	922,353
		34,941
108		108
<u>92,030</u>	<u>584,509</u>	<u>959,733</u>
98,204		98,204
		70,107
	432,666	587,665
18,903	4	18,907
<u>117,107</u>	<u>432,670</u>	<u>774,883</u>
<u>(25,077)</u>	<u>151,839</u>	<u>184,850</u>
(25,077)	151,839	184,850
61,783		270,636
<u>\$ 36,706</u>	<u>\$ 151,839</u>	<u>\$ 455,486</u>

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

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WOLFE COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

WOLFE COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 497,179	\$ 612,320	\$ 631,273	\$ 18,953
In Lieu Tax Payments	5,500	5,500		(5,500)
Excess Fees		1,921	1,921	
Licenses and Permits	1,900	2,398	1,416	(982)
Intergovernmental Revenue	243,650	741,688	623,541	(118,147)
Charges for Services	100	600	600	
Miscellaneous	18,500	62,348	819,416	757,068
Interest	1,000	1,000	1,209	209
Total Revenues	<u>767,829</u>	<u>1,427,775</u>	<u>2,079,376</u>	<u>651,601</u>
EXPENDITURES				
General Government	668,330	773,686	626,183	147,503
Protection to Persons and Property	61,478	61,514	16,750	44,764
General Health and Sanitation	104,600	166,148	166,148	
Administration	313,028	858,932	316,540	542,392
Total Expenditures	<u>1,147,436</u>	<u>1,860,280</u>	<u>1,125,621</u>	<u>734,659</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(379,607)</u>	<u>(432,505)</u>	<u>953,755</u>	<u>1,386,260</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(90,000)	(140,000)	(116,800)	23,200
Transfers From Other Funds	179,607	179,607	125,000	(54,607)
Total Other Financing Sources (Uses)	<u>89,607</u>	<u>39,607</u>	<u>8,200</u>	<u>(31,407)</u>
Net Changes in Fund Balance	(290,000)	(392,898)	961,955	1,354,853
Fund Balance - Beginning	<u>290,000</u>	<u>390,898</u>	<u>390,898</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,000)</u>	<u>\$ 1,352,853</u>	<u>\$ 1,354,853</u>

WOLFE COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 60,000	\$ 60,000	\$ 50,008	\$ (9,992)
Intergovernmental Revenue	925,207	1,476,951	1,469,355	(7,596)
Miscellaneous	100,100	111,741	162,196	50,455
Interest	1,500	1,500	1,763	263
Total Revenues	<u>1,086,807</u>	<u>1,650,192</u>	<u>1,683,322</u>	<u>33,130</u>
EXPENDITURES				
Roads	963,300	1,287,447	1,061,593	225,854
Debt Service	106,000	249,820	247,029	2,791
Capital Projects	50,000	66,078	66,078	
Administration	237,900	708,641	170,335	538,306
Total Expenditures	<u>1,357,200</u>	<u>2,311,986</u>	<u>1,545,035</u>	<u>766,951</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(270,393)</u>	<u>(661,794)</u>	<u>138,287</u>	<u>800,081</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(179,607)</u>	<u>(179,607)</u>	<u>(125,000)</u>	<u>54,607</u>
Total Other Financing Sources (Uses)	<u>(179,607)</u>	<u>(179,607)</u>	<u>(125,000)</u>	<u>54,607</u>
Net Changes in Fund Balance	(450,000)	(841,401)	13,287	854,688
Fund Balance - Beginning	<u>450,000</u>	<u>510,684</u>	<u>510,684</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (330,717)</u>	<u>\$ 523,971</u>	<u>\$ 854,688</u>

WOLFE COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis
For The Year Ended June 30, 2012
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 197,000	\$ 243,558	\$ 324,023	\$
Miscellaneous		1,442	1,442	
Interest	200	200	306	106
Total Revenues	<u>197,200</u>	<u>245,200</u>	<u>325,771</u>	<u>106</u>
EXPENDITURES				
General Government	25,886	27,745	25,873	1,872
Protection to Persons and Property	2,700	2,700	2,268	432
General Health and Sanitation	27,038	27,038	24,387	2,651
Social Services	7,700	7,700	7,600	100
Recreation and Culture	4,000	4,000		4,000
Roads	92,946	92,946	87,482	5,464
Administration	12,800	58,941	12,448	46,493
Total Expenditures	<u>173,070</u>	<u>221,070</u>	<u>160,058</u>	<u>61,012</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>24,130</u>	<u>24,130</u>	<u>165,713</u>	<u>61,118</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(114,130)	(114,130)	(114,000)	130
Total Financing Sources (Uses)	<u>(114,130)</u>	<u>(114,130)</u>	<u>(114,000)</u>	<u>130</u>
Net Changes in Fund Balance	(90,000)	(90,000)	51,713	141,713
Fund Balance - Beginning	90,000	90,000	90,034	34
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 141,747</u>	<u>\$ 141,747</u>

WOLFE COUNTY
NOTES TO OTHER INFORMATION

June 30, 2012

Note 1. Budgetary Information

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

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

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

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

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

General Fund:

Budgetary Basis - Revenues	\$ 2,079,376
Plus: Jail Fund Revenues	77,126
Plus: Search & Rescue Fund Revenues	4
Modified Cash Basis	<u>\$ 2,156,506</u>
Budgetary Basis - Expenditures	\$ 1,125,621
Plus: Jail Fund Expenditures	307,772
Plus: Search & Rescue Fund Expenditures	1,408
Modified Cash Basis	<u>\$ 1,434,801</u>
Budgetary Basis - Total Financing Sources (Uses)	\$ 8,200
Plus: Jail Fund Transfers	230,800
Modified Cash Basis	<u>\$ 239,000</u>
Budgetary Basis - Ending Fund Balance	\$ 1,352,853
Plus: Jail Fund Balance	6,886
Plus: Search & Rescue Fund Balance	1,685
Plus: Cemetery Fund Balance	50
Modified Cash Basis	<u>\$ 1,361,474</u>

WOLFE COUNTY
NOTES TO OTHER INFORMATION
June 30, 2012
(Continued)

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

Road Fund:

Budgetary Basis - Revenues	\$ 1,683,322
Minus: Proceeds from Sale of Asset Held for Resale	(109,025)
Modified Cash Basis	<u>\$ 1,574,297</u>
Budgetary Basis - Expenditures	\$ 1,545,035
Plus: Financing Obligations Expenditures	104,015
Modified Cash Basis	<u>\$ 1,649,050</u>
Budgetary Basis - Other Financing Sources	\$ (125,000)
Plus: Financing Obligation Proceeds	99,000
Plus: Proceeds from the Sale of Asset Held for Resale	109,025
Modified Cash Basis	<u>\$ 83,025</u>
Budgetary Basis - Beginning Fund Balance	\$ 510,684
Plus: Debt Trust Account Fund Balance	5,015
Modified Cash Basis	<u>\$ 515,699</u>

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

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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E-MAIL: wtichenor@tichenorassociates.com

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wolfe County, Kentucky, as of and for the year ended June 30, 2012 which collectively comprise the County's basic financial statements and have issued our report thereon dated December 6, 2012. Wolfe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2012-01 to be a material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wolfe County's financial statements as of and for the year ended June 30, 2012, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Wolfe County Judge/Executive's response to the finding identified in our audit is included in the comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on the response.

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

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

December 6, 2012

**WOLFE COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2012

**WOLFE COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2012

INTERNAL CONTROL - MATERIAL WEAKNESS

2012-01 The Fiscal Court Should Have Policies And Procedures In Place To Ensure That All Of The County's Capital Assets Are Included In the County's Capital Asset Schedules

During our review of capital assets, we noted that capital assets purchased in prior periods totaling \$324,331 were not included in the County's capital asset schedules until the current year. Also, the schedule was not updated on an annual basis. By not maintaining a complete and accurate list of capital assets, the risk increases that capital assets may not be insured or that the County pays insurance for assets they no longer own. In addition, strong internal controls over capital assets are necessary to ensure accurate financial reporting. The omission of these capital assets resulted in a \$324,331 material misstatement to the prior year's beginning net asset balance.

We recommend that the Fiscal Court have policies and procedures in place to ensure that all of the County's capital assets are properly included the County's capital asset schedules and that the schedule is updated on an annual basis.

County Judge/Executive Dennis Brook's Response: "This Fiscal Court will implement policies & procedures to ensure that all of the County's capital assets are properly included in the County's capital asset schedules and that the schedule is updated on an annual basis."

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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, 2012**

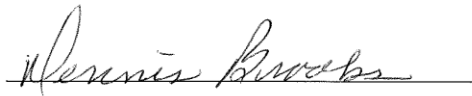
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

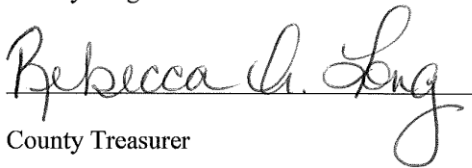
WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

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

A handwritten signature in cursive script, appearing to read "Dennis Brooks", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Rebecca A. Long", written over a horizontal line.

County Treasurer

