

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

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



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

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

The enclosed report prepared by Kem, Duguid & Associates, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements.

We engaged Kem, Duguid & Associates, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Kem, Duguid & Associates, PSC evaluated Ohio County, Kentucky'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 OHIO COUNTY FISCAL COURT

June 30, 2012

Kem, Duguid & Associates, PSC, has completed the audit of the Ohio County Fiscal Court for fiscal year ended June 30, 2012.

The financial statements of Ohio County Hospital Corporation, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Ohio County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information.

In accordance with OMB Circular A-133, we have issued unqualified opinions on the compliance requirements that are applicable to Ohio County's major federal program: Airport Improvement Program (CFDA #20.106)

Financial Condition:

The fiscal court had total net assets of \$ 15,325,878 as of June 30, 2012. The fiscal court had unrestricted net assets of \$2,349,172 in its governmental activities as of June 30, 2012, with total net assets of \$11,519,013. In its business-type activities, total net cash and cash equivalents were \$51,903 with total net assets of \$3,806,865. The fiscal court's discretely presented component unit had net assets of \$8,777,217 as of June 30, 2012. The discretely presented component unit had net cash and cash equivalents of \$1,733,212. The fiscal court had total debt principal as of June 30, 2012 of \$1,866,621 with \$191,375 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2012 of \$5,479,379 with \$783,731 due within the next year.

Report Comments:

- 2012-01 The Fiscal Court Purchased Real Property Without Obtaining An Appraisal Per KRS 67.080
- 2012-02 The Ohio County Airport Board Deposits Were Not Made Timely
- 2012-03 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities or bonds.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
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Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio 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 Ohio County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Ohio County Hospital Corporation, a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit opinion unit is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion unit.

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. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards. 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 and the report of the other auditors provide a reasonable basis for our opinions.

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

The financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are presented in accordance with the accrual basis of accounting and, therefore, include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky
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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Ohio County Hospital Corporation's financial statements been prepared using the same basis of accounting as Ohio County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of Ohio County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ohio County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, 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 Ohio 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 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 basic financial statements. 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 statements. The combining fund financial statements and the schedule of expenditures of federal awards have 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 and schedule of expenditures of federal awards fairly are 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.

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2013, on our consideration of Ohio 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.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
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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:

2012-01 The Fiscal Court Purchased Real Property Without Obtaining An Appraisal Per KRS 67.080
2012-02 The Ohio County Airport Board Deposits Were Not Made Timely
2012-03 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time
Between Drawdown And Disbursement Of Federal Funds

Respectfully submitted,

Kem, Duguid & Associates, P.S.C.

Kem, Duguid & Associates, PSC

March 20, 2013

OHIO COUNTY OFFICIALS

For The Year Ended June 30, 2012

Fiscal Court Members:

David Johnston	County Judge/Executive
Michael McKenney	Magistrate
Jason Bullock	Magistrate
Brandon Thomas	Magistrate
Larry Keown	Magistrate
Kenny Autry	Magistrate

Other Elected Officials:

Greg Hill	County Attorney
Gerry Wright	Jailer
Bess Ralph	County Clerk
David Thompson	Sheriff
Jason Chinn	Property Valuation Administrator
Larry Bevil	Coroner

Appointed Personnel:

Anne Melton	County Treasurer
Janice Embry	Finance Officer
Lugenia Sapp	Occupational Tax Collector
Joseph Woods	Road Supervisor
Carol Smith	911 Administrator/Director
Sharon Wright	Jail Administrative Assistant/Bookkeeper

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

June 30, 2012

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Ohio County Hospital Corporation 9/30/2012
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,521,765	\$ 51,903	\$ 3,573,668	\$ 1,733,212
Assets Limited to Use				366,720
Patient Accounts Receivable				4,417,611
Other Accounts Receivable				775,893
Supplies				833,133
Prepaid Expenses and Other				171,591
Total Current Assets	3,521,765	51,903	3,573,668	8,298,160
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Construction in Progress		664,484	664,484	14,500
Land and Land Improvements	1,016,119	2,651,402	3,667,521	647,827
Buildings and Building Improvements	3,935,986	414,205	4,350,191	4,676,250
Machinery and Equipment	1,556,709	24,871	1,581,580	2,842,022
Vehicles	753,476		753,476	
Infrastructure	2,601,579		2,601,579	
Deferred Financing Costs, at Amortized Cost				90,839
Other				63,799
Hospital Assets Held by Trustee				834,168
Total Noncurrent Assets	9,863,869	3,754,962	13,618,831	9,169,405
Total Assets	13,385,634	3,806,865	17,192,499	17,467,565
LIABILITIES				
Current Liabilities:				
Bonds Payable				600,000
Financing Obligations Payable	191,375		191,375	183,731
Accounts Payable				654,357
Accrued Payroll and Other Expenses				
Unearned Revenue				1,762,770
Estimated Amounts Due to Third-Party Payers				657,074
Total Current Liabilities	191,375		191,375	3,857,932
Noncurrent Liabilities:				
Bonds Payable				4,280,000
Financing Obligations Payable	1,675,246		1,675,246	415,648
Retirement benefits				136,768
Total Noncurrent Liabilities	1,675,246		1,675,246	4,832,416
Total Liabilities	1,866,621		1,866,621	8,690,348

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

OHIO COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2012
(Continued)

	Primary Government			Component
	Governmental	Business-Type	Totals	Unit
	Activities	Activities		Ohio County
				Hospital
				Corporation
				9/30/2012
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	7,997,248	3,754,962	11,752,210	2,701,220
Restricted for:				
General Health and Sanitation	772,298		772,298	
Protection to Persons and Property	3,544		3,544	
Roads	396,751		396,751	
Unrestricted	2,349,172	51,903	2,401,075	6,075,997
Total Net Assets	<u>\$ 11,519,013</u>	<u>\$ 3,806,865</u>	<u>\$ 15,325,878</u>	<u>\$ 8,777,217</u>

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

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2012

OHIO COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,054,308	\$ 241,856	\$ 452,968	\$ 159,415
Protection to Persons and Property	1,433,484	59,797	386,230	16,088
General Health and Sanitation	208,145	196,694		
Social Services	423,606		34,421	38,993
Recreation and Culture	257,664		1,163,315	531,984
Roads	2,095,310		1,796,537	430,123
Airports	12,721			
Interest on Long-Term Debt	92,168			
Capital Projects	137,208			
Total Governmental Activities	9,714,614	498,347	3,833,471	1,176,603
Business-type Activities:				
Jail Canteen	11,586	10,443		
Airport Board	196,155	13,575		722,070
Total Business-type Activities	207,741	24,018		722,070
Total Primary Government	\$ 9,922,355	\$ 522,365	\$ 3,833,471	\$ 1,898,673
Discretely Presented Component Unit:				
Ohio County Hospital Corporation	\$ 31,506,134	\$ 29,944,261	\$ 0	\$ 0

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational License Fee
Net Profit Taxes
Other Taxes
Excess Fees
Interest Received
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.

OHIO 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			Component Unit 9/30/2012
Governmental Activities	Business-Type Activities	Totals	
\$ (4,200,069)	\$	\$ (4,200,069)	\$
(971,369)		(971,369)	
(11,451)		(11,451)	
(350,192)		(350,192)	
1,437,635		1,437,635	
131,350		131,350	
(12,721)		(12,721)	
(92,168)		(92,168)	
(137,208)		(137,208)	
(4,206,193)		(4,206,193)	
	(1,143)	(1,143)	
	539,490	539,490	
	538,347	538,347	
(4,206,193)	538,347	(3,667,846)	
			(1,561,873)
504,754		504,754	
5,440		5,440	
74,996		74,996	
2,050,231		2,050,231	
393,457		393,457	
700,194		700,194	
964,948		964,948	
14,104	87	14,191	5,589
540,584	10,257	550,841	1,592,511
5,248,708	10,344	5,259,052	1,598,100
1,042,515	548,691	1,591,206	36,227
10,476,498	3,258,174	13,734,672	8,740,990
<u>\$ 11,519,013</u>	<u>\$ 3,806,865</u>	<u>\$ 15,325,878</u>	<u>\$ 8,777,217</u>

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

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OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

OHIO COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2012

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Landfill Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,929,387	\$ 396,751	\$ 421,498	\$ 404,675
Total Assets	<u>1,929,387</u>	<u>396,751</u>	<u>421,498</u>	<u>404,675</u>
FUND BALANCES				
Restricted for:				
General Health and Sanitation				404,675
Protection to Persons and Property	1,713			
Roads		396,751		
Committed to:				
General Government			200,973	
Protection to Persons and Property			65,572	
Social Services			1,088	
Recreation and Culture			11,805	
Roads			106,374	
Airport			632	
Debt Service			9,742	
Administration			25,312	
Unassigned	<u>1,927,674</u>			
Total Fund Balances	<u>\$ 1,929,387</u>	<u>\$ 396,751</u>	<u>\$ 421,498</u>	<u>\$ 404,675</u>

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

Total Fund Balances	\$ 3,521,765
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.	14,060,210
Accumulated Depreciation	(4,196,341)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(1,866,621)</u>
Net Assets of Governmental Activities	<u>\$ 11,519,013</u>

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

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

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 369,454	\$ 3,521,765
<u>369,454</u>	<u>3,521,765</u>
367,623	772,298
1,831	3,544
	396,751
	200,973
	65,572
	1,088
	11,805
	106,374
	632
	9,742
	25,312
	<u>1,927,674</u>
<u>\$ 369,454</u>	<u>\$ 3,521,765</u>

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

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

For The Year Ended June 30, 2012

OHIO 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 And Bridge Fund	Local Government Economic Assistance Fund	Landfill Fund
REVENUES				
Taxes	\$ 3,722,824	\$	\$	\$
Licenses and Permits	113,849			
Intergovernmental	2,100,333	2,226,660	1,664,194	98,347
Charges for Services	143,638			
Miscellaneous	470,415	98,316		
Interest	8,115	1,738	1,089	2,604
Total Revenues	<u>6,559,174</u>	<u>2,326,714</u>	<u>1,665,283</u>	<u>100,951</u>
EXPENDITURES				
General Government	3,778,149		686,146	
Protection to Persons and Property	1,198,249		298,645	
General Health and Sanitation	256,026			82,767
Social Services	279,126			
Recreation and Culture	300,801		54,202	
Roads		1,704,816	448,557	
Airports	9,835		2,886	
Debt Service	159,603	81,592	209,227	
Capital Projects		137,208		
Administration	717,710	299,012		
Total Expenditures	<u>6,699,499</u>	<u>2,222,628</u>	<u>1,699,663</u>	<u>82,767</u>
Excess (Deficiency) of Revenues Over Expenditures before Other Financing Sources (Uses)	<u>(140,325)</u>	<u>104,086</u>	<u>(34,380)</u>	<u>18,184</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	<u>125,000</u>			
Total Other Financing Sources (Uses)	<u>125,000</u>			
Net Change in Fund Balances	(15,325)	104,086	(34,380)	18,184
Fund Balances - Beginning (Restated)	1,944,712	292,665	455,878	386,491
Fund Balances - Ending	<u>\$ 1,929,387</u>	<u>\$ 396,751</u>	<u>\$ 421,498</u>	<u>\$ 404,675</u>

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

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

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 6,102	\$ 3,728,926
	113,849
	6,089,534
98,347	241,985
	568,731
<u>558</u>	<u>14,104</u>
<u>105,007</u>	<u>10,757,129</u>
	4,464,295
10,351	1,507,245
	338,793
140,880	420,006
	355,003
	2,153,373
	12,721
	450,422
	137,208
	<u>1,016,722</u>
<u>151,231</u>	<u>10,855,788</u>
<u>(46,224)</u>	<u>(98,659)</u>
	125,000
	<u>125,000</u>
(46,224)	26,341
415,678	3,495,424
<u>\$ 369,454</u>	<u>\$ 3,521,765</u>

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

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**OHIO 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

**OHIO 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	\$	26,341
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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 are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,249,900
Depreciation Expense		(447,432)
Assets Disposed of, Net Book Value		(19,548)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds		(125,000)
Financing Obligations Principal Payments		<u>358,254</u>

Change in Net Assets of Governmental Activities	\$	<u><u>1,042,515</u></u>
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OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2012

OHIO COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 10,838	\$ 41,065	\$ 51,903
Total Current Assets	10,838	41,065	51,903
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction in Progress		664,484	664,484
Land		215,203	215,203
Land Improvements		2,436,199	2,436,199
Building and Building Improvements		414,205	414,205
Machinery and Equipment		24,871	24,871
Total Noncurrent Assets		3,754,962	3,754,962
Total Assets	10,838	3,796,027	3,806,865
Net Assets			
Invested in Capital Assets, Net of Related Debt		3,754,962	3,754,962
Unrestricted	10,838	41,065	51,903
Total Net Assets	\$ 10,838	\$ 3,796,027	\$ 3,806,865

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

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OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

OHIO COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	Jail Canteen Fund	Airport Board Fund	Totals
Operating Revenues			
Canteen Receipts	\$ 10,443	\$	\$ 10,443
Rental Services		13,575	13,575
Other Receipts		10,257	10,257
Total Operating Revenues	<u>10,443</u>	<u>23,832</u>	<u>34,275</u>
Operating Expenses			
Educational and Recreational	759		759
Professional Fees		767	767
Repairs and Maintenance		18,210	18,210
Utilities		2,262	2,262
Depreciation		168,415	168,415
Supplies		2,784	2,784
Annual Dues		2,628	2,628
Miscellaneous	10,827	1,089	11,916
Total Operating Expenses	<u>11,586</u>	<u>196,155</u>	<u>207,741</u>
Operating Income (Loss)	<u>(1,143)</u>	<u>(172,323)</u>	<u>(173,466)</u>
Nonoperating Revenues (Expenses)			
Interest Income	5	82	87
Federal Receipts		683,167	683,167
State Receipts		38,903	38,903
Total Nonoperating Revenues (Expenses)	<u>5</u>	<u>722,152</u>	<u>722,157</u>
Change in Net Assets	(1,138)	549,829	548,691
Total Net Assets - Beginning (Restated)	11,976	3,246,198	3,258,174
Total Net Assets - Ending	<u>\$ 10,838</u>	<u>\$ 3,796,027</u>	<u>\$ 3,806,865</u>

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

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OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

OHIO COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Jail Canteen Fund</u>	<u>Airport Board Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities			
Cash Receipts from Customers	\$ 10,443	\$	\$ 10,443
Cash Receipts from Rental		13,575	13,575
Cash Receipts from Other		10,257	10,257
Cash Payments for Professional Fees		(767)	(767)
Cash Payment for Goods and Services	(11,586)	(26,973)	(38,559)
Net Cash Provided (Used) by Operating Activities	<u>(1,143)</u>	<u>(3,908)</u>	<u>(5,051)</u>
Cash Flows From Capital and Related Financing Activities			
Federal Receipts		683,167	683,167
State Receipts		38,903	38,903
Capital Outlay		(712,096)	(712,096)
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>9,974</u>	<u>9,974</u>
Cash Flows From Investing Activities			
Interest Earned	<u>5</u>	<u>82</u>	<u>87</u>
Net Cash Provided (Used) by Investing Activities	<u>5</u>	<u>82</u>	<u>87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,138)	6,148	5,010
Cash and Cash Equivalents - July 1	<u>11,976</u>	<u>34,917</u>	<u>46,893</u>
Cash and Cash Equivalents - June 30	<u>\$ 10,838</u>	<u>\$ 41,065</u>	<u>\$ 51,903</u>

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

OHIO COUNTY
 STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - MODIFIED CASH BASIS
 For The Year Ended June 30, 2012
 (Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	<u>Business-Type Activites - Enterprise Fund</u>		
	Jail Canteen Fund	Airport Board Fund	Totals
Operating Income (Loss)	\$ (1,143)	\$ (172,323)	\$ (173,466)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense		168,415	168,415
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,143)</u>	<u>\$ (3,908)</u>	<u>\$ (5,051)</u>

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

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TO THE FINANCIAL STATEMENTS**

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OHIO 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. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Ohio County Hospital Corporation, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, all assets and liabilities are recognized on the Statement of Net Assets. Revenues are recorded when earned and liabilities are recorded when incurred, regardless of timing of cash.

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 Ohio County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Ohio County Airport Board

The Ohio County Airport Board is not legally separate from the Ohio County Fiscal Court. The Fiscal Court 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 Airport Board. Financial information for the Airport Board is blended within Ohio County's financial statements. All activities of the Airport Board are accounted for within a major enterprise fund.

Ohio County Public Facilities Corporation

The Ohio County Fiscal Court appoints the Public Facilities 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 Facilities Corporation. There was no financial activity for the Public Facilities Corporation in the fiscal year ended June 30, 2012.

Discretely Presented Component Units

The component unit column in the combined financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Ohio County Hospital Corporation

The Ohio County Fiscal Court (Fiscal Court) appoints a voting majority of the Ohio County Hospital Corporation governing board. The Ohio County Hospital Corporation is financially accountable and legally obligated for the debt of the hospital as long as a lease dated March 1, 1995, and between the Ohio County Public Facilities Corporation, a component unit of Ohio County and the Ohio County Hospital Corporation is in effect. The Ohio County Hospital Corporation may make additional improvements to the hospital at its own cost, which becomes part of the hospital. Exclusion of this entity as a component unit of Ohio County would cause the county's financial statements to be misleading or incomplete. The financial information for the Hospital is presented discretely within Ohio County's financial statements.

Audited financial statements for the Ohio County Hospital Corporation, a discretely presented component unit, may be requested by contacting the Ohio County Hospital, 1211 Main Street, Hartford Kentucky 42347.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Ohio County Elected Officials

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

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

D. Government-wide and Fund Financial Statements

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, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

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.

OHIO 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)

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.

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, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government 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 and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license 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.

Landfill Fund - The primary purpose of this fund is to account for landfill revenue and water project expenditures.

The primary government also has the following non-major funds: Federal Grants Fund, Forest Fire Fund, and Waterline Fund.

OHIO 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)

Special Revenue Funds:

The Road and Bridge Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Forest Fire Fund, Landfill Fund, and Waterline Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund - The primary purpose of this fund is to account for the activities of the airport. The primary sources of revenue for this fund are from charges to customers and federal aviation grants.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Ohio County Hospital Corporation.

This component unit is presented in separate columns in the combined financial statements. It is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

OHIO 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 non-spendable and spendable components, if applicable.

Non-spendable includes 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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

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

I. Budgetary Information

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

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

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

The Ohio County Hospital Corporation (discretely presented component unit), Ohio County Airport Board (blended component unit), and the Ohio County Jail Commissary (blended component unit) funds are not budgeted. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Ohio County Fiscal Court: the Ohio County Water District, the Ohio County Library, and the Ohio County Tourism Commission are considered related organizations of the Ohio County Fiscal Court.

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 Ohio County Fiscal Court:

- Bluegrass Crossing Industrial Authority (with McLean, Muhlenberg, Hancock, and Daviess Counties)
- Ohio County Regional Wastewater District (with the Cities of Hartford, Centertown, and Beaver Dam)

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

Note 2. Deposits

The primary government and component unit 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, 2012, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. As of September 30, 2012, all of the discretely presented component unit's deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

Noncancellable operating leases for the Ohio County Hospital Corporation for equipment expire in various years through 2015. Rent expense totaled approximately \$741,533 and \$790,961 in 2012 and 2011, respectively. Future required minimum lease payments on these leases were as follows:

<u>Fiscal Year Ended</u> <u>September 30</u>	<u>Amount</u>
2013	\$ 396,950
2014	289,063
2015	131,923
2016	<u>16,598</u>
Total Minimum Lease Payments	<u>\$ 834,534</u>

OHIO 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	\$ 919,064	\$ 44,953	\$	\$ 964,017
Total Capital Assets Not Being Depreciated	919,064	44,953		964,017
Capital Assets, Being Depreciated:				
Land Improvements	31,500	24,900		56,400
Buildings and Building Improvements	5,716,673	285,472		6,002,145
Machinery and Equipment	2,367,424	250,634	(84,152)	2,533,906
Vehicles	1,491,205	91,983	(111,328)	1,471,860
Infrastructure	2,479,924	551,958		3,031,882
Total Capital Assets Being Depreciated	12,086,726	1,204,947	(195,480)	13,096,193
Less Accumulated Depreciation for:				
Land Improvements	(2,268)	(2,030)		(4,298)
Buildings and Building Improvements	(1,966,016)	(100,143)		(2,066,159)
Machinery and Equipment	(906,816)	(146,118)	75,737	(977,197)
Vehicles	(710,070)	(108,509)	100,195	(718,384)
Infrastructure	(339,671)	(90,632)		(430,303)
Total Accumulated Depreciation	(3,924,841)	(447,432)	175,932	(4,196,341)
Total Capital Assets, Being Depreciated, Net	8,161,885	757,515	(19,548)	8,899,852
Governmental Activities Capital Assets, Net	\$ 9,080,949	\$ 802,468	\$ (19,548)	\$ 9,863,869

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

Note 4. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 105,925
Protection to Persons and Property	100,337
General Health and Sanitation	6,197
Social Services	3,600
Recreation and Culture	21,952
Roads, Including Depreciation of General Infrastructure Assets	<u>209,421</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 447,432</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2012 was as follows:

	<u>Reporting Entity</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 215,203	\$	\$	\$ 215,203
Construction in Progress	<u>307,471</u>	<u>664,484</u>	<u>(307,471)</u>	<u>664,484</u>
Total Capital Assets Not Being Depreciated	<u>522,674</u>	<u>664,484</u>	<u>(307,471)</u>	<u>879,687</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,898,813	334,243		3,233,056
Buildings and Building Improvements	633,825			633,825
Machinery and Equipment	<u>40,320</u>	<u>20,840</u>		<u>61,160</u>
Total Capital Assets Being Depreciated	3,572,958	355,083		3,928,041
Less Accumulated Depreciation for:				
Land Improvements	(651,370)	(145,487)		(796,857)
Buildings and Building Improvements	(196,692)	(22,928)		(219,620)
Machinery and Equipment	<u>(36,289)</u>			<u>(36,289)</u>
Total Accumulated Depreciation	(884,351)	(168,415)		(1,052,766)
Total Capital Assets, Being Depreciated, Net	<u>2,688,607</u>	<u>186,668</u>		<u>2,875,275</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,211,281</u>	<u>\$ 851,152</u>	<u>\$ (307,471)</u>	<u>\$ 3,754,962</u>

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

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Airport Board	\$ 168,415
Total Depreciation Expense - Business-Type Activities	<u>\$ 168,415</u>

Capital Asset activity for the discretely presented component unit for the year ended June 30, 2012 was as follows:

	<u>Reporting Entity</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
Capital Assets Not Being Depreciated:				
Land	\$ 416,987	\$ 24,854	\$	\$ 441,841
Construction in Progress	397,146	14,500	(397,146)	14,500
Total Capital Assets Not Being Depreciated	<u>814,133</u>	<u>39,354</u>		<u>456,341</u>
Capital Assets, Being Depreciated:				
Land Improvements	479,688	12,883		492,571
Buildings	7,877,025	466,796		8,343,821
Equipment	13,687,380	718,502		14,405,882
Total Capital Assets Being Depreciated	<u>22,044,093</u>	<u>1,198,181</u>		<u>23,242,274</u>
Less Accumulated Depreciation for:				
Land Improvements	(255,681)	(30,904)		(286,585)
Buildings	(3,434,028)	(233,543)		(3,667,571)
Equipment	(10,910,175)	(653,685)		(11,563,860)
Total Accumulated Depreciation	<u>(14,599,884)</u>	<u>(918,132)</u>		<u>(15,518,016)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,444,209</u>	<u>280,049</u>		<u>7,724,258</u>
Capital Assets, Net	<u>\$ 8,258,342</u>	<u>\$ 319,403</u>	<u>\$ 0</u>	<u>\$ 8,180,599</u>

Depreciation expense was charged to functions of the discretely presented component unit as follows:

Ohio County Hospital Corporation	\$ 918,132
Total Depreciation Expense - Business Activities	<u>\$ 918,132</u>

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

Note 5. Long-term Debt

A. Road Department Building

The County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust on July 12, 1996, for the building of a road garage building in the amount of \$106,000. The interest rate is variable for 20 years. The termination date is October 20, 2011. The principal balance at June 30, 2012 was \$0.

B. Capital Projects

The County entered into an installment loan with the Bank of Ohio County on November 18, 2005 in the amount of \$1,600,000. The purpose of the loan was to finance the acquisition of property, to finance renovations and improvements to the courthouse, and to retire the Ohio County Buildings Commission First Mortgage Revenue Bonds, Series 1979. The interest rate is 4.92 percent for a period of twenty years with principal and interest payments due monthly. The principal balance at June 30, 2012 was \$1,236,371. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 66,438	\$ 60,174
2014	69,829	56,783
2015	73,393	53,219
2016	77,024	49,608
2017	81,159	45,543
2018-2022	471,712	161,354
2023-2026	396,816	35,744
Totals	<u>\$ 1,236,371</u>	<u>\$ 462,425</u>

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

Note 5. Long-term Debt (Continued)

C. Park Land

On January 14, 2008, the County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the sum of \$250,000 with a variable interest rate. The financing obligation was used to purchase land to be used at the park. The maturity date of the obligation is January 20, 2023. The balance of the obligation at June 30, 2012 was \$197,123. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 13,654	\$ 8,325
2014	14,516	7,733
2015	15,432	7,102
2016	16,406	6,438
2017	17,442	5,723
2018-2022	105,173	16,274
2023	14,500	367
Totals	<u>\$ 197,123</u>	<u>\$ 51,962</u>

D. Dump Truck

On March 10, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$103,194 for the purpose of refinancing a short-term lease agreement from the prior year that was used to purchase a 2009 tri-axle dump truck. The interest rate is variable with payments due on the 20th of each month and principal payments due annually on January 20th until the termination date of January 20, 2013. The principal balance at June 30, 2012 was \$28,194. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 28,194	\$ 840
Totals	<u>\$ 28,194</u>	<u>\$ 840</u>

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

Note 5. Long-term Debt (Continued)

E. EMS Building

On August 5, 2009, the County entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 for the purpose of financing the construction costs for a new EMS building. The interest rate is variable with payments due on the 20th of each month and principal payments due monthly on the 20th until the termination date of August 20, 2017. The principal balance at June 30, 2012 was \$204,520. Future debt service requirements of the Local Government Economic Assistance Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 36,363	\$ 8,270
2014	37,844	6,709
2015	39,412	5,044
2016	41,114	3,248
2017	42,510	1,449
2018	7,277	89
Totals	<u>\$ 204,520</u>	<u>\$ 24,809</u>

F. Pothole Patcher

On June 29, 2010, the County entered into a capital lease agreement with the Bank of Ohio County in the amount of \$134,825 for the purchase of a Rosco by LeeBoy RA400 road spray patcher. The interest rate is 4.890% for a period of five years with principal and interest due monthly. The principal balance at June 30, 2012 was \$84,870. Future debt service requirements of the Road and Bridge Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 26,901	\$ 3,603
2014	28,266	2,238
2015	29,703	800
Totals	<u>\$ 84,870</u>	<u>\$ 6,641</u>

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

Note 5. Long-term Debt (Continued)

G. Grader

On January 24, 2011, the County entered into a capital lease agreement with the Bank of Ohio County in the amount of \$215,775 for the purchase of a Caterpillar Grader. The interest rate is 4.890% for a period of five years with principal and interest due monthly. The principal balance at June 30, 2012 was \$0.

H. Sheriff's Vehicles – GRADD

On December 1, 2011, the Fiscal Court entered into an agreement with the Green River Area Development District in the sum of \$125,000 with a variable interest rate. The financing obligation was used to purchase law enforcement vehicles for the Ohio County Sheriff's Department. The maturity date of the obligation is January 1, 2018. The balance of the obligation at June 30, 2012 was \$115,543. Future debt service requirements of the General Fund are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2013	\$ 19,823	\$ 2,699
2014	20,310	2,212
2015	20,808	1,714
2016	21,319	1,203
2017	21,843	680
2018	11,440	140
Totals	<u>\$ 115,543</u>	<u>\$ 8,648</u>

I. 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>					
Financing Obligations	<u>\$ 2,099,875</u>	<u>\$ 125,000</u>	<u>\$ 358,254</u>	<u>\$ 1,866,621</u>	<u>\$ 191,375</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,099,875</u>	<u>\$ 125,000</u>	<u>\$ 358,254</u>	<u>\$ 1,866,621</u>	<u>\$ 191,375</u>

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

Note 5. Long-term Debt (Continued)

J. Obligations Issued By the Ohio County Public Facilities Corporation

Effective August 30, 2005, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2005 bond issue. The bonds mature serially at varying amounts through March 1, 2015, and require annual principal and semi-annual interest payments at rates ranging from 3.75% to 4.50%. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

Effective September 29, 2010, the Hospital entered into a lease agreement and trust indenture with the County of Ohio, Kentucky, to pay principal and interest on the Series 2010 bond issue. The bonds mature serially at varying amounts through March 1, 2030, and require annual principal and semi-annual interest payments at a 4.00% rate. The bonds are collateralized by all revenues generated by the Hospital. Under the terms of the lease agreement and trust indenture, the Hospital is required to maintain certain deposits with a trustee. These deposits are included with assets limited as to use in the financial statements.

K. Diagnostic Equipment

The Hospital entered into equipment capital lease agreements maturing in March 2011 and July 2015 totaling \$583,070. These lease agreements bear interest at an imputed interest rate of 8.50% and 6.35%.

L. Bank of Ohio County

The Hospital entered into a loan agreement maturing April 1, 2012; payable in monthly installments of \$8,365, including interest at 7.25%; secured by certain real estate.

M. Kentucky Trust Bank

The Hospital entered into a loan agreement maturing June 30, 2014; payable in monthly installments of \$3,042, including interest at 7.14%; secured by certain real estate and equipment.

N. Equipment Lease

The Hospital entered into a lease obligation maturing July 2017; payable in monthly installment of \$3,983, including interest at 5.909%; secured by leased equipment.

O. Note Payable – Doctor

The Hospital entered into a note agreement to Doctor in two installments of \$49,032 and \$90,997 on October 2012 and October 2013. The note is non-interest bearing and unsecured.

P. Aggregate Annual Maturities of Long-term Debt - Discretely Presented Component Unit

The amounts of required principal payments on long-term debt and payments on capital lease obligations at September 30, 2012, were as follows:

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

Note 5. Long-term Debt (Continued)

Fiscal Year Ended September 30	Bonds	Notes Payable	Capital Lease Obligation
2013	\$ 600,000	\$ 82,504	\$ 127,924
2014	620,000	114,693	127,924
2015	645,000		107,892
2016	150,000		47,796
2017	155,000		39,830
Thereafter	<u>2,710,000</u>		
Less amount representing interest			<u>49,184</u>
Totals	<u>\$ 4,880,000</u>	<u>\$ 197,197</u>	<u>\$ 402,182</u>

Q. Changes in Long-term Debt- Discretely Presented Component Unit

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 5,332,911	\$	\$ 452,911	\$ 4,880,000	\$ 600,000
Financing Obligations	<u>526,310</u>	<u>340,557</u>	<u>267,488</u>	<u>599,379</u>	<u>183,731</u>
Governmental Activities Long-term Liabilities	<u>\$ 5,859,221</u>	<u>\$ 340,557</u>	<u>\$ 720,399</u>	<u>\$ 5,479,379</u>	<u>\$ 783,731</u>

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 18.98 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.

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

Note 6. Employee Retirement System (Continued)

The county's contribution for FY 2010 was \$398,717, FY 2011 was \$423,113, and FY 2012 was \$506,473.

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.

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.

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

Note 7. Deferred Compensation

On November 25, 1985, the Ohio 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 permit 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 8. Insurance

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

Note 9. Commitments and Contingencies

During 2009, The Ohio County Fiscal Court entered into an agreement with the Ohio County Water District to provide annual payments of principal, interest, and fees up to \$3,000,000 of the Kentucky Infrastructure Authority (KIA) loan the Water District incurred for the construction of a new water treatment plant and related facilities. The agreement authorized and provided for the County to have pre-payment privilege. The County was approved to make pre-payments of all or part of the Water District KIA loan obligation made by the Fiscal Court without any pre-payment penalty. A pre-payment in the amount of \$450,000 was made to the Water District on or about April 1, 2009, and an additional \$550,000 loan pre-payment was offered by the Fiscal Court to the Water District to be made by the Fiscal Court upon approval and execution of the Amendment to the Agreement. The payment of \$550,000 will reduce the loan payment obligations of the County by \$1,000,000, thereby leaving only a maximum KIA loan payment obligation by the County of \$2,000,000 in principle, and the interest and loan servicing fee. The Fiscal Court's financial obligation shall continue until the KIA loan has been paid in full, and the County agrees to reserve sufficient funds each year in its annual budget to provide for such payments.

The Green River Regional Industrial Development Authority (GRIDDA) and the Ohio County Fiscal Court entered into an agreement on April 1, 2009 to pay \$1,000,000 of the \$3,000,000 KIA loan for or to the Water District. During October 2011, GRRIDA agreement was amended to \$550,000 instead of \$1,000,000.

The Water District's payments to KIA began June 1, 2012. The County's portion was \$55,482.

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

Note 10. Landfill

Ohio County holds the permit for the landfill, known as the Ohio County Balefill. The County owns the land and all capital improvements. Republic Services of KY, LLC, DBA Ohio County Balefill won the bid on the landfill franchise and operates and maintains the landfill. The franchise must be re-bid every twenty years. Republic pays the County \$1.60 per ton in tipping fees. The liability for closure and post closure costs lies with Republic for 30 years after the closure of the landfill.

Note 11. Assets Limited as to Use and Investment Return

Assets limited as to use, which are composed of money market funds, are stated at market value. Amounts required to meet certain liabilities of the Ohio County Hospital Corporation are included in current assets.

Assets limited as to use at September 30, 2012 included the following:

Held by Trustee - Money Market Mutual Funds	\$ 1,064,120
Less Amount Required To Meet Current Obligations	<u>(366,720)</u>
Net Amount Assets Limited As To Use	<u>\$ 697,400</u>
Amount for 457(b) Retirement Plan - Cash	<u>\$ 136,768</u>

Investment return on assets limited as to use includes interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments.

Note 12. Patient Accounts Receivable

Patient accounts receivable for the Ohio County Hospital Corporation are stated at net realizable amounts from patients, third-party payers and others for services rendered, plus any accrued and unpaid interest. The Hospital provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient accounts receivable are ordinarily due 30 days after the issuance of the invoice. Balances past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient or third-party payer.

Note 13. Difference in Fiscal Year End of Discretely Presented Component Unit

The Ohio County Hospital Corporation, a discretely presented component unit of the Ohio County Fiscal Court, has a fiscal year end of September 30, 2012. The Fiscal Court, the primary government, has a fiscal year end of June 30, 2012. All amounts reported for the Ohio County Hospital Corporation represent account balances, receipts, and disbursements as of September 30, 2012.

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

Note 14. Prior Period Adjustments

	<u>Governmental Activities</u>
Net Assets Ending Balance Prior Year	\$ 10,623,953
Adjustments:	
Prior Year Voided Checks	800
Accumulated Depreciation Understated in Prior Year	<u>(148,255)</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 10,476,498</u></u>
	<u>Business -Type Activities</u>
Net Assets Ending Balance Prior Year	\$ 3,352,698
Adjustments:	
Accumulated Depreciation Understated in Prior Year	<u>(94,524)</u>
Net Assets Beginning Balance - Restated	<u><u>\$ 3,258,174</u></u>

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

June 30, 2012

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

June 30, 2012

	Federal Grants Fund	Forest Fire Fund	Waterline Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	<u>\$ 307,476</u>	<u>\$ 1,831</u>	<u>\$ 60,147</u>	<u>\$ 369,454</u>
Total Assets	<u>307,476</u>	<u>1,831</u>	<u>60,147</u>	<u>369,454</u>
FUND BALANCES				
Restricted For:				
General Health and Sanitation	307,476		60,147	367,623
Protection to Persons and Property		1,831		1,831
Total Fund Balances	<u>\$ 307,476</u>	<u>\$ 1,831</u>	<u>\$ 60,147</u>	<u>\$ 369,454</u>

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

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

For The Year Ended June 30, 2012

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

For The Year Ended June 30, 2012

	Federal Grants Fund	Forest Fire Fund	Waterline Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 6,102	\$	\$ 6,102
Charges for Services			98,347	98,347
Interest		15	543	558
Total Revenues		<u>6,117</u>	<u>98,890</u>	<u>105,007</u>
EXPENDITURES				
Protection to Persons and Property		10,351		10,351
General Health and Sanitation			140,880	140,880
Total Expenditures		<u>10,351</u>	<u>140,880</u>	<u>151,231</u>
Net Change in Fund Balances		<u>(4,234)</u>	<u>(41,990)</u>	<u>(46,224)</u>
Fund Balances - Beginning	307,476	6,065	102,137	415,678
Fund Balances - Ending	<u>\$ 307,476</u>	<u>\$ 1,831</u>	<u>\$ 60,147</u>	<u>\$ 369,454</u>

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OHIO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor			
Program Title	CFDA	Pass-Through	
Grant Name	Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed - Through State Department of Education:			
Child and Adult Care Food Program Nutrition and Health Services	10.558	Unknown	\$ <u>25,607</u>
Total U.S. Department of Agriculture			25,607
<u>U.S. Department of Health and Human Services</u>			
Passed - Through State Cabinet for Health and Family Services Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Congregate Meals Senior Centers			
	93.044	09-11888-9	38,993
Special Programs for the Aging - Title III, Part C, Nutrition Services Home Delivered Meals			
	93.045	09-11888-9	<u>8,814</u>
Total Department of Health and Human Services			47,807
<u>U.S. Department of Homeland Security</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	Unknown	105,743
Emergency Management Performance Grants	97.042	Unknown	<u>21,436</u>
Total U.S. Department of Homeland Security			127,179
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program - Fencing and Obstruction Removal			
	20.106***	3-21-0063-11	26,228
Runway Overlay Project	20.106***	3-21-0063-12	<u>656,939</u>
Total U.S. Department of Transportation			<u>683,167</u>
Total Expenditures of Federal Awards			<u>\$ 883,760</u>

*** Tested as Major Program

OHIO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2012

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ohio 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-Public Organizations.

OHIO COUNTY
BUDGETARY COMPARISON INFORMATION
Other Information - Modified Cash Basis

For The Year Ended June 30, 2012

OHIO 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	\$ 1,143,384	\$ 1,143,384	\$ 1,279,146	\$ 135,762
Licenses and Permits	113,600	113,600	113,846	246
Intergovernmental Revenue	2,140,171	2,176,425	1,972,465	(203,960)
Charges for Services	97,750	97,750	99,863	2,113
Miscellaneous	525,993	525,993	552,780	26,787
Interest	4,100	4,100	1,975	(2,125)
Total Revenues	4,024,998	4,061,252	4,020,075	(41,177)
EXPENDITURES				
General Government	2,993,224	3,294,461	3,139,033	155,428
Protection to Persons and Property	749,134	763,866	703,716	60,150
General Health and Sanitation	343,239	369,226	256,026	113,200
Social Services	247,246	271,853	255,460	16,393
Recreation and Culture	462,461	490,177	300,801	189,376
Airports	12,000	12,000	9,835	2,165
Debt Service	148,344	159,605	159,603	2
Administration	917,663	629,223	496,168	133,055
Total Expenditures	5,873,311	5,990,411	5,320,642	669,769
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,848,313)	(1,929,159)	(1,300,567)	628,592
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	1,498,313	1,498,313	2,800,000	1,301,687
Total Other Financing Sources (Uses)	1,498,313	1,498,313	2,800,000	1,301,687
Net Changes in Fund Balance	(350,000)	(430,846)	1,499,433	1,930,279
Fund Balance - Beginning (Restated)	350,000	414,905	414,905	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (15,941)</u>	<u>\$ 1,914,338</u>	<u>\$ 1,930,279</u>

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

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 2,305,741	\$ 2,429,741	\$ 2,226,660	\$ (203,081)
Miscellaneous	92,500	92,500	98,316	5,816
Interest	8,000	8,000	1,738	(6,262)
Total Revenues	<u>2,406,241</u>	<u>2,530,241</u>	<u>2,326,714</u>	<u>(203,527)</u>
EXPENDITURES				
Roads	1,866,677	2,037,976	1,704,816	333,160
Debt Service	310,921	310,921	81,592	229,329
Capital Projects	80,000	137,208	137,208	
Administration	608,643	536,800	299,012	237,788
Total Expenditures	<u>2,866,241</u>	<u>3,022,905</u>	<u>2,222,628</u>	<u>800,277</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(460,000)</u>	<u>(492,664)</u>	<u>104,086</u>	<u>596,750</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	<u>200,000</u>	<u>200,000</u>		<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>		<u>(200,000)</u>
Net Changes in Fund Balance	(260,000)	(292,664)	104,086	396,750
Fund Balance - Beginning	<u>260,000</u>	<u>292,664</u>	<u>292,665</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 396,751</u>	<u>\$ 396,751</u>

OHIO 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	\$ 1,274,630	\$ 1,477,630	\$ 1,664,194	186,564
Interest	2,000	2,000	1,089	(911)
Total Revenues	1,276,630	1,479,630	1,665,283	185,653
EXPENDITURES				
General Government	489,900	922,862	850,636	72,226
Protection to Persons and Property	297,504	301,108	298,645	2,463
Social Services	5,000	5,000		5,000
Recreation and Culture	54,000	54,209	54,202	7
Roads	348,100	488,465	448,557	39,908
Airports	2,900	2,900	2,886	14
Debt Service	44,734	44,734	44,737	(3)
Administration	384,492	116,230		116,230
Total Expenditures	1,626,630	1,935,508	1,699,663	235,845
Net Changes in Fund Balances	(350,000)	(455,878)	(34,380)	421,498
Fund Balances - Beginning	350,000	455,878	455,878	
Fund Balances - Ending	\$ 0	\$ 0	\$ 421,498	\$ 421,498

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

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 98,000	\$ 98,000	\$ 98,347	\$ 347
Interest	1,500	1,500	2,604	1,104
Total Revenues	<u>99,500</u>	<u>99,500</u>	<u>100,951</u>	<u>1,451</u>
EXPENDITURES				
General Health and Sanitation	99,500	99,500	82,767	16,733
Administration	375,000	386,491		386,491
Total Expenditures	<u>474,500</u>	<u>485,991</u>	<u>82,767</u>	<u>403,224</u>
Net Changes in Fund Balances	<u>(375,000)</u>	<u>(386,491)</u>	<u>18,184</u>	<u>404,675</u>
Fund Balances - Beginning	<u>375,000</u>	<u>386,491</u>	<u>386,491</u>	<u></u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 404,675</u>	<u>\$ 404,675</u>

OHIO COUNTY
NOTES TO OTHER INFORMATION
June 30, 2012

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.

Reconciliation of General Fund

Total Revenues - Budgetary Basis	\$ 4,020,075
Financing Obligation Proceeds	(125,000)
Revenues from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>2,664,099</u>
Total Revenues - Modified Cash Basis	<u><u>6,559,174</u></u>
Total Expenditures - Budgetary Basis	5,320,642
Expenditures from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>1,378,857</u>
Total Expenditures - Modified Cash Basis	<u><u>6,699,499</u></u>
Total Other Financing Sources(Uses) - Budgetary Basis	2,800,000
Financing Obligation Proceeds	125,000
Other Financing Sources(Uses) from Occupational Tax Fund and Jail Fund reported within General Fund as a result of the adoption of GASB 54	<u>(2,800,000)</u>
Total Other Financing Sources(Uses) - Modified Cash Basis	<u><u>\$ 125,000</u></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**

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio 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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Ohio 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 and have issued our report thereon dated March 20, 2013, wherein, we issued a qualified opinion on the discretely presented component unit and made reference to the report of other auditors. Ohio 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. Other auditors audited the financial statements of the Ohio County Hospital Corporation, as described in our report on Ohio County, Kentucky's financial statements. The financial statements of the Ohio County Hospital Corporation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

Management of the Ohio County Fiscal Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ohio County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ohio County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ohio 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 schedule of findings and questioned costs, 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 a 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 schedule of findings and questioned costs as item 2012-02 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 Ohio 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

Management's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on them.

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

Respectfully submitted,

Kem, Duguid & Associates, P.S.C.

Kem, Duguid & Associates, PSC

March 20, 2013

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

MICHAEL A. KEM, CPA
SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA
WALTER G. CUMMINGS, CPA



The Honorable David Johnston, Ohio County Judge/Executive
Members of the Ohio County Fiscal Court

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of Ohio County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) 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, 2012. Ohio County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio County's management. Our responsibility is to express an opinion on Ohio County's compliance based on our audit.

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 Ohio 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. Our audit does not provide a legal determination on Ohio County's compliance with those requirements.

In our opinion, Ohio County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Ohio County 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 audit, we considered Ohio 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 auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 Ohio County's internal control over compliance.

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

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 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 discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 2012-03 to be a material weakness.

Management's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit their responses and, accordingly, we express no opinion on them.

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

Respectfully submitted,

Kem, Duguid & Associates, P.S.C.

Kem, Duguid & Associates, PSC

March 20, 2013

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

For The Year Ended June 30, 2012

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Ohio County. A qualified opinion is expressed on the discretely presented component unit.
2. One material weakness relating to the audit of the financial statements is reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements is reported in the Independent Auditor's Report.
4. One material weakness relating to the audit of the major federal award program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Ohio County expresses an unqualified opinion.
6. There is one finding relative to the major federal awards program for Ohio County reported in Part C of this schedule.
7. The program tested as a major program was: Airport Improvement Program (CFDA #20.106).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ohio County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

2012-01 The Fiscal Court Purchased Real Property Without Obtaining An Appraisal Per KRS 67.080

During our testing of capital assets and infrastructure, we noted the county purchased land for the North Hartford Fire Station in the amount of \$44,953. Also during the prior year, Ohio County purchased land jointly with Butler County for \$42,500 for the Rochester Ferry. KRS 67.080 states "when real property is purchased, the county shall pay no more than the highest appraised value, as determined by a Kentucky certified real property appraiser. A valuation of the real property shall not be required if the purchase price is forty thousand dollars (\$40,000) or less."

We recommend the Fiscal Court obtain an appraisal when real property is purchased in excess of \$40,000 in order to be in compliance with KRS 67.080.

Judge/Executive David Johnston's Response: We did take measures to see that taxpayers funds were used to purchase properly for our North Hartford Station. We secured the PVA assessment which was greater than the purchase price. This land was in foreclosure. The loan value was double the amount of our purchase price. This documentation was provided the auditor at the time of audit. The joint purchase with Butler County for the ferry was done in the past administration in 2010. We cannot answer for the conditions at that time. Please remove these deficiencies from our report.

OHIO COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS

2012-02 The Ohio County Airport Board Deposits Were Not Made Timely

During the performance of the Airport Board proof of cash, we noted that the Airport Board was not making daily deposits. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis.

We recommend the Fiscal Court require the Airport Board to make daily deposits in order to be in compliance with KRS 68.210.

Airport Board Chairman Darren Luttrell's Response: None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2012-03 The Ohio County Airport Board Should Establish Procedures To Minimize Elapsed Time Between Drawdown And Disbursement Of Federal Funds

Federal Program:	<u>CFDA #20.106 – Airport Improvement Program</u>
Federal Agency:	<u>U.S. Department of Transportation</u>
Pass-Through Agency:	<u>Not Applicable</u>
Compliance Area:	<u>Cash Management</u>
Amount of Questioned Costs:	<u>\$0</u>

During testing of federal cash drawdowns, it was noted that there were long delays in between the drawdown and disbursement of federal funds with the longest delay being 56 days. According to OMB Circular A-102, recipients of federal funds should have written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient. The timing and amount of cash drawdowns should be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs.

We recommend that the Airport Board establish procedures to minimize elapsed time between drawdown and disbursement of federal funds.

Airport Board Chairman Darren Luttrell's Response: None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

OHIO COUNTY FISCAL COURT

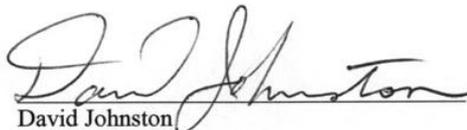
**For The Fiscal Year Ended
June 30, 2012**

Appendix A

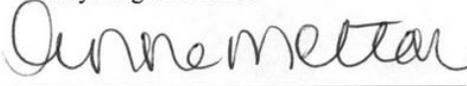
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
OHIO COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2012

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



David Johnston
County Judge/Executive



Anne Melton
County Treasurer

