

Report of the Audit of the Wolfe County Fiscal Court

Campton, Kentucky

Regular Audit

July 1, 2019 through June 30, 2020

Fiscal Year Audited Under GAGAS: 2020



CAUDILL & ASSOCIATES, CPA, PLLC

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Lexington, KY 40513

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INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M Johnson, Secretary

Finance and Administration Cabinet

The Honorable Raymond Banks, Wolfe County Judge/Executive

Members of the Wolfe County Fiscal Court

Report on the Financial Statements

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court, for the year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Wolfe County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Wolfe County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Wolfe County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Wolfe County Fiscal Court. The Budgetary Comparison Schedules (supplementary information) and the Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Matters (Continued)

Supplementary and Other Information (Continued)

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2021, on our consideration of the Wolfe County Fiscal Court'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* in considering the Wolfe County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses, included herein, which discusses the following report findings:

- 2020-001 Interfund Cash Transfer amounts approved by the Fiscal Court do not match what was actually transferred.
- 2020-002 The County Treasurer performed an interfund cash transfer without Fiscal Court approval
- 2020-003 The Fiscal Court failed to correctly utilize the Uniform Systems of Accounts as established by the State Local Finance Officer.
- 2020-004 The Solid Waste Fund Budget, as reported in the 4th quarter report and in the original budget, are inconsistent
- 2020-005 The Fiscal Court did not establish adequate controls over The Public Properties Corporation Fund.
- 2020-006 The Fiscal Court and County Treasurer allowed claims in excess of their respective budget funds.
- 2020-007 The Fiscal Court did not report The Public Properties Corporation Debt and did not include the long-term liabilities schedule with the fourth quarter report
- 2020-008 Instances were discovered in which employees did not sign their timesheets.
- 2020-009 The County Treasurer failed to deposit national forestry receipts into the County Road Fund.
- 2020-010 The Fiscal Court failed to remit a share of the national forestry receipts to the school district.

Respectfully submitted,

Caudill & Associates, CPA, PLLC

Caudill & Associates, CPA

April 23, 2021

WOLFE COUNTY OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2020

Fiscal Court Members:

Raymond Banks	County Judge/Executive
Wade Gibbs	Magistrate
Gene Booth	Magistrate
James Banks	Magistrate

Other Elected Officials:

Stephen Johnson	County Attorney
Greg Banks	Jailer
Steve Oliver	County Clerk
Debbie Sparks	Circuit Court Clerk
Chris Carson	Sheriff
Justina Smith	Property Valuation Administrator
James Frank Porter	Coroner

Appointed Officials:

Porter Harris	County Treasurer
Kelli Ratliff Evans	Chief Finance Officer

WOLFE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020

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Wolfe County
Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis

For the Year Ended June 30, 2020

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 816,602			
In Lieu Tax Payments	88,992			
Excess Fees	25,150			
Licenses and Permits	1,366			
Intergovernmental	931,093	1,168,472	91,626	168,012
Miscellaneous	91,472	136,971	1,214	
Interest				
Total Receipts	<u>1,954,675</u>	<u>1,305,443</u>	<u>92,840</u>	<u>168,012</u>
DISBURSEMENTS				
General Government	1,345,011		8,528	13,200
Protection to Persons and Property	15,149		286,757	9,387
General Health and Sanitation	24,377			17,873
Social Services	3,143			1,900
Roads		799,477		106,515
Debt Service		382,375		
Capital Projects				
Administration	<u>357,065</u>	<u>204,528</u>	<u>24,048</u>	<u>11,931</u>
Total Disbursements	<u>1,744,745</u>	<u>1,386,380</u>	<u>319,333</u>	<u>160,806</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>209,930</u>	<u>(80,937)</u>	<u>(226,493)</u>	<u>7,206</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	255,209	58,500	238,295	
Transfers To Other Funds	<u>(300,999)</u>	<u>(239,139)</u>	<u>(12,000)</u>	
Total Other Adjustments to Cash (Uses)	<u>(45,790)</u>	<u>(180,639)</u>	<u>226,295</u>	
Net Change in Fund Balance	164,140	(261,576)	(198)	7,206
Net Change in Payroll Fund	(1,251)			
Fund Balance - Beginning (Restated)	<u>46,446</u>	<u>382,667</u>	<u>545</u>	<u>45,938</u>
Fund Balance - Ending	<u>\$ 209,335</u>	<u>\$ 121,091</u>	<u>\$ 347</u>	<u>\$ 53,144</u>
Composition of Fund Balance				
Bank Balance	\$ 272,160	\$ 113,347	\$ 347	\$ 53,144
Plus: Deposits In Transit	\$ (8,500)	\$ 8,500	\$	\$
Less: Outstanding Checks	(54,325)	(756)		
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 209,335 A</u>	<u>\$ 121,091</u>	<u>\$ 347</u>	<u>\$ 53,144</u>

The accompanying notes are an integral part of the financial statements

Wolfe County
Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis

For the Year Ended June 30, 2020

	Budgeted Funds			
	Fire Protection Fund	Solid Waste Fund	Local Government Economic Development Fund	E-911 Fund
RECEIPTS				
Taxes	\$ 496			
In Lieu Tax Payments		110,251		
Excess Fees				
Licenses and Permits		1,275		
Intergovernmental		203,155	147,320	137,490
Miscellaneous		6,547		200
Interest				
Total Receipts	<u>496</u>	<u>321,228</u>	<u>147,320</u>	<u>137,690</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property	2,317			91,410
General Health and Sanitation		204,233		
Social Services				
Roads				
Debt Service		162,226		
Capital Projects			147,320	
Administration		31,903		12,075
Total Disbursements	<u>2,317</u>	<u>398,362</u>	<u>147,320</u>	<u>103,485</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,821)</u>	<u>(77,134)</u>		<u>34,205</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	4,204			
Transfers To Other Funds				(2,335)
Total Other Adjustments to Cash (Uses)	<u>4,204</u>			<u>(2,335)</u>
Net Change in Fund Balance	2,383	(77,134)		31,870
Net Change in Payroll Fund				
Fund Balance - Beginning (Restated)		250,802		150,352
Fund Balance - Ending	<u>\$ 2,383</u>	<u>\$ 173,668</u>	<u>\$ 0</u>	<u>\$ 182,222</u>
Composition of Fund Balance				
Bank Balance	\$ 2,383	\$ 173,668	\$	\$ 182,222
Plus: Deposits In Transit	\$		\$	\$
Less: Outstanding Checks				
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 2,383</u>	<u>\$ 173,668</u>	<u>\$ 0</u>	<u>\$ 182,222</u>

The accompanying notes are an integral part of the financial statements

Wolfe County
Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis

For the Year Ended June 30, 2020

	Budgeted Funds	
	Special Projects Fund	United Against Drugs Fund
RECEIPTS		
Taxes		
In Lieu Tax Payments		
Excess Fees		
Licenses and Permits		
Intergovernmental		114,350
Miscellaneous		7,005
Interest	2,369	
Total Receipts	<u>2,369</u>	<u>121,355</u>
DISBURSEMENTS		
General Government		
Protection to Persons and Property		
General Health and Sanitation		
Social Services		102,644
Roads		
Debt Service		
Capital Projects	6,671	
Administration		12,100
Total Disbursements	<u>6,671</u>	<u>114,744</u>
Excess (Deficiency) of Receipts Over		
Disbursements Before Other		
Adjustments to Cash (Uses)	<u>(4,302)</u>	<u>6,611</u>
Other Adjustments to Cash (Uses)		
Financing Obligation Proceeds		
Transfers From Other Funds		
Transfers To Other Funds		
Total Other Adjustments to Cash (Uses)	<u></u>	<u></u>
Net Change in Fund Balance	(4,302)	6,611
Fund Balance - Beginning	<u>232,516</u>	<u>34</u>
Fund Balance - Ending	<u>\$ 228,214</u>	<u>\$ 6,645</u>
Composition of Fund Balance		
Bank Balance	\$ 228,214	\$ 8,317
Plus: Deposits In Transit		
Less: Outstanding Checks		(1,672)
Certificates of Deposit		
Fund Balance - Ending	<u>\$ 228,214</u>	<u>\$ 6,645</u>

The accompanying notes are an integral part of the financial statements

Wolfe County
Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis

For the Year Ended June 30, 2020

	Unbudgeted Funds		
	Revolving Grant Fund	Public Properties Corporation Fund	Total Funds
RECEIPTS			
Taxes			\$ 817,098
In Lieu Tax Payments			199,243
Excess Fees			25,150
Licenses and Permits			2,641
Intergovernmental		754,140	3,715,658
Miscellaneous			243,409
Interest		4,395	6,764
Total Receipts	0	758,535	5,009,963
DISBURSEMENTS			
General Government			1,366,739
Protection to Persons and Property			405,020
General Health and Sanitation			246,483
Social Services			107,687
Roads			905,992
Debt Service		752,600	1,297,201
Capital Projects			153,991
Administration		1,540	655,190
Total Disbursements	0	754,140	5,138,303
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		4,395	(128,340)
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			556,208
Transfers From Other Funds			556,208
Transfers To Other Funds	(1,735)		(556,208)
Total Other Adjustments to Cash (Uses)	(1,735)		
Net Change in Fund Balance	(1735)	4,395	(128,340)
Fund Balance - Beginning	1735	197,725	1,308,760
Fund Balance - Ending	\$ -	\$ 202,120	\$ 1,179,170
Composition of Fund Balance			
Bank Balance	\$	\$ 202,120	\$ 1,235,922
Plus: Deposits In Transit			-
Less: Outstanding Checks			(56,753)
Certificates of Deposit			-
Fund Balance - Ending	\$ 0	\$ 202,120	\$ 1,179,170

The accompanying notes are an integral part of the financial statements

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are 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 disbursements separately from the general fund.

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

Local Government Economic Assistance (LGEA) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is state grants.

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

Solid Waste Fund - The primary purpose of this fund is to account for garbage collection related activities. The primary source of receipts for this fund is tipping fees for garbage collection remitted to the county by solid waste contractors.

Local Government Economic Development (LGED) Fund - The primary purpose of this fund is to account for line item coal and mineral severance grants for various county projects. The primary source of receipts for this fund is state grants.

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

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

United Against Drugs Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are grants from the state and federal governments.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Revolving Grant Fund - The primary purpose of this fund is to account for a grant and matching funds to purchase sheriff's vehicles.

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds, and subsequent refunding revenue bonds, that were issued to fund construction of the Wolfe County Judicial Center.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Wolfe County Elected Officials

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

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

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

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

Three Forks Regional Jail

On October 6, 2000, the Counties of Lee, Owsley and Wolfe (the participating counties) entered into an Interlocal Cooperation Agreement in order to provide for joint and cooperative action in the acquisition, construction, installation, maintenance and financing of the Three Forks Regional Jail. Pursuant to this interlocal agreement, Lee County (the lead county) established the Three Forks Public Properties Corporation, a legally separate organization, to act as an agency and instrumentality of the participating counties in financing the acquisition and construction of the Three Forks Regional Jail. On December 1, 2000, the corporation issued \$6,295,000 First Mortgage Revenue Bonds, Series 2000. In 2012, the bonds were refunded with \$5,570,000 of the Kentucky Bond Corporation Financing Program Revenue Bonds, 2012 First Series D that are scheduled to mature in February 2032.

The 2012 First Series D Bonds are not general obligations of the issuer or any participant, except to the extent of a participant's obligations under its financing agreement, but are special and limited payable solely from the Trustee Estate.

Under the terms of the financing agreements, repayment schedules are established to enable the issuer to meet the principal and interest requirements of the related bonds. No participant is, however, responsible for the failure of any other participant to pay its obligations under a financing agreement. Each participating county covenants to meet its proportionate share of the debt service requirements on the bonds as follows: 40% for Lee County, 22% for Owsley County and 38% for Wolfe County. The principal amount outstanding at June 30, 2020 attributable to Wolfe County is \$1,182,677.

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

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

A copy of the Three Forks Regional Jail Authority's most recent audit report may be obtained at Three Forks Regional Jail, 2475 Center Street, Beattyville, Kentucky 41311.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

H. Related Obligations and Joint Ventures (continued)

Wolfe-Morgan Multi-County Industrial Development Authority

In April 2011, Wolfe and Morgan Counties entered into an interlocal agreement creating the Wolfe-Morgan Multi-County Industrial Development Authority. The Authority was developed for the acquisition, development and retention of industry in Wolfe and Morgan Counties. The Authority is comprised of a five member board of directors. Wolfe and Morgan Counties appoint one member each. Both the Wolfe County and Morgan County Judge/Executives are members. In addition, the counties jointly appoint the remaining member.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, 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 fiscal court 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 fiscal court's deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Road Fund	Jail Fund	Fire Protection Fund	Total Transfers Out
General Fund		\$ 58,500	\$ 238,295	\$ 4,204	300,999
Road Fund	239,139				239,139
Jail Fund	12,000				12,000
E-911 Fund	2,335				2,335
Revolving Grant Fund	1,735				1,735
Total Transfers In	<u>\$ 255,209</u>	<u>\$58,500</u>	<u>\$ 238,295</u>	<u>\$ 4,204</u>	<u>\$556,208</u>

Reason for transfers:

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Long-term Debt

A. Direct Borrowings

1. Blacktop

On October 9, 2013, the Wolfe County Fiscal Court entered into a \$1,000,000 direct borrowing agreement with the Kentucky Association of Counties Leasing Trust to blacktop county roads. The lease agreement requires monthly payments, at an interest rate of 3.84% per annum, with a final payment due on January 20, 2029. In the event of default, a direct tax shall be levied annually in an amount sufficient to pay the financing obligation lease payments when and as due. As of June 30, 2020, the principal outstanding is \$647,917. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 65,000	\$ 27,536
2022	67,083	25,325
2023	70,000	22,921
2024	72,084	20,277
2025	75,000	17,346
2026-2029	<u>298,750</u>	<u>34,278</u>
Totals:	<u>\$ 647,917</u>	<u>\$ 147,683</u>

B. Other Debt

1. Public Properties Corporation Revenue Bonds – Judicial Center

On March 18, 2010, the Wolfe County Public Properties Corporation issued \$10,930,000 First Mortgage Revenue Bonds, Series 2010 for the construction of the Wolfe County Judicial Center. The First Mortgage Refunding Revenue Bonds, Series 2016 advance refund certain maturities of the Series 2010 bonds.

The Wolfe County Fiscal Court entered into a lease Agreement with the Administrative Office of the Courts (AOC) which is expected to meet the full debt service requirements, payable directly to the bond trustee. The lease does not require the county to make any debt payments, however, the county is obligated to provide for the operation, maintenance, insurance and repair of the judicial center.

Semi-annual interest payments are required on April 1 and October 1 of each year, with annual principal payments on April 1, and a final maturity date of April 1, 2022. As of June 30, 2020, the principal outstanding is \$1,075,000. Future principal and interest payments are as follows:

1. Public Properties Corporation Revenue Bonds – Judicial Center

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 530,000	\$ 37,625
2022	<u>545,000</u>	<u>19,075</u>
Totals:	<u>\$ 1,075,000</u>	<u>\$ 56,700</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

2. Public Properties Corporation Refunding Revenue Bonds – Judicial Center

On August 24, 2016, the Wolfe County Public Properties Corporation issued \$5,650,000 First Mortgage Refunding Revenue Bonds, Series 2016. The proceeds advance refund on April 1, 2020, the Series 2010 bonds maturing on 2023 and thereafter. Sufficient funds have been deposited in an irrevocable escrow account to pay the interest on the bonds and pay the principal on the bonds at the redemption date.

AOC provides funding, payable directly to the bond trustee, to meet the debt service requirements. The land and building have been secured as collateral for the bonds. In the event of default, the bond trustee can initiate foreclosure on the mortgage lien.

Semi-annual interest payments are required on April 1 and October 1 of each year, beginning October 1, 2016. Annual principal payments on April 1, 2022, with a final maturity date of April 1, 2030. As of June 30, 2020, the principal outstanding is \$5,650,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$	\$ 188,400
2022	50,000	188,400
2023	615,000	186,900
2024	640,000	162,300
2025-2029	3,565,000	443,450
2030	780,000	23,400
Totals:	<u>\$5,650,000</u>	<u>\$1,192,850</u>

3. Financing Obligation – Mack Truck – Wolfe County # 14

On July 19, 2019, the Wolfe County Fiscal Court entered into a \$301,758 lease with the Kentucky Association of Counties Leasing Trust to purchase Mack trucks. The lease agreement requires monthly interest payments and two principal payments on March 20, 2020 and February 20, 2021, respectively. In the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. As of June 30, 2020, the principal outstanding is \$158,760. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	<u>158,760</u>	<u>5,239</u>
Totals:	<u>\$ 158,760</u>	<u>\$ 5,239</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

4. Financing Obligation – Mack Truck – Wolfe County # 15

On April 22, 2020, the Wolfe County Fiscal Court entered into a \$144,498 lease with the Kentucky Association of Counties Leasing Trust to purchase a Mack truck. The lease agreement requires monthly interest payments and one principal payment on November 20, 2021. In the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. As of June 30, 2020, the principal outstanding is \$144,498. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	-	5,404
2022	<u>144,498</u>	<u>2,252</u>
Totals:	<u>\$ 144,498</u>	<u>\$ 7,656</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 710,000	\$	\$ 62,083	\$ 647,917	\$ 65,000
Revenue Bonds	7,235,000		510,000	6,725,000	530,000
Financing Obligations	<u>293,632</u>	<u>446,256</u>	<u>436,630</u>	<u>303,258</u>	<u>158,760</u>
Total Long-Term Debt	<u>\$8,238,632</u>	<u>\$446,256</u>	<u>\$1,008,713</u>	<u>\$7,676,175</u>	<u>\$753,760</u>

Principal and interest requirements to retire the long-term obligations are as follows:

	All Debt Activity	
	Notes from	
	Principal	Interest
2021	\$ 898,258	\$ 264,204
2022	662,083	235,052
2023	685,000	209,821
2024	712,084	182,577
2025	788,000	106,036
2026-2030	3,930,750	412,438
Total	<u>\$ 7,676,175</u>	<u>\$ 1,410,128</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 5. Employee Retirement System (continued)

The county's contribution for FY 2018 was \$186,372, FY 2019 was \$ 246,554 and FY 2020 was \$275,918.

Nonhazardous

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 be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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 (member's 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.

The county's contribution rate for nonhazardous employees was 24.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

CERS 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, nonhazardous 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. 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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. 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.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Deferred Compensation

The Wolfe County Fiscal Court allows 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 the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2020, the Wolfe County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Note Receivable – The Chop Shop

In January 2013, the county entered into a loan agreement of \$475,000 with the J.S.W. Farm, LLC d/b/a The Chop Shop for the purchase of the land and building pad located in the Wolfe-Morgan Industrial Park. The agreement requires annual payments of \$47,500 to begin in January 2014, payable to the Wolfe County Fiscal Court. The county will forgive the principal and interest payments if the Chop Shop creates and maintains employment at levels equal or greater than fifteen full-time employees for calendar year 2014 and 2015, increasing to 30 full-time employees for the remaining eight years of the agreement. The agreement further defines full-time as working 1,820 hours per year and average wage of at least \$14,560 per year, \$8 per hour average.

Note 9. Lease and Sublease

On December 9, 2014, the Wolfe County Fiscal Court (Lessor) entered into an agreement to lease property located at 166 Wolfe County Elementary School Road, considered surplus to the needs of the fiscal court, to the Wolfe County High School, LLLP (Lessee) for the purpose of creating affordable housing for senior citizens, including a community center within the project. Wolfe County High School, LLLP will lease the property for one dollar per year for a term of 50 years.

The Lessee has agreed that any and all improvements made to the leased premises shall become the property of the county upon expiration, cancellation and/or termination of this Lease Agreement, or upon notice thereof.

Also, on December 9, 2014, the Wolfe County Fiscal Court (Lessee) entered into an agreement to sublease the community center from the Wolfe County High School, LLLP (Lessor) for a base rate of one dollar per year for 20 years. The fiscal court will be responsible for all community center utility expenses which are metered separately from the housing property and prorated amounts for other expenses.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 10. Related Party Transactions

The county paid \$1,538 to a convenient store for fuel for the period of July 1, 2019 to June 30, 2020. The convenient store is owned by the county treasurer.

Note 11. Interfund Liabilities and Receivables

The jail fund had a deficit balance at June 30, 2020, which was caused by an interfund payable. The Wolfe County Fiscal Court had prior year interfund payables that have not been resolved. The table below reflects fund balances after accounting for the receivables and payables that are not included on the financial statement prepared in accordance with the regulatory basis of accounting:

Effect on Fund Balances	General	Road	Jail	LGEA	Total
Fund Balance	\$ 209,335	\$ 121,091	\$ 347	\$ 53,144	\$ 383,917
Interfund Receivable		87,404		116,717	204,121
Interfund Liability	(87,404)		(116,717)		(204,121)
Fund Balance	121,931	208,495	(116,370)	169,861	383,917

Note 12. Prior Period Adjustments

The balance of the general fund was increased by \$3,883 to include the prior year balance of the payroll fund.

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes	\$ 808,700	\$ 808,700	\$ 816,602	\$ 7,902
In Lieu Tax Payments	\$ -	\$ 25,267	\$ 88,992	\$ 63,725
Excess Fees	38,000	38,000	25,150	(12,850)
Licenses and Permits	1,300	1,300	1,366	66
Intergovernmental	228,625	905,059	931,093	26,034
Charges For Services	1,500	1,500	-	(1,500)
Miscellaneous	53,200	69,090	91,472	22,382
Interest	50	50	-	(50)
<i>Total Receipts</i>	<u>1,131,375</u>	<u>1,848,966</u>	<u>1,954,675</u>	<u>105,709</u>
Disbursements				
General Government	644,551	1,361,733	1,345,011	16,722
Protection to Persons and Property	42,167	16,197	15,149	1,048
General Health & Sanitation	-	24,379	24,377	2
Social Services	2,500	4,500	3,143	1,357
General Services	35,825	35,825	27,502	8,323
Contingent Appropriations	8,635	8,635	-	8,635
Fringe Benefits - Employer's Share	345,000	345,000	329,563	15,437
<i>Total Disbursements</i>	<u>1,078,677</u>	<u>1,796,269</u>	<u>1,744,745</u>	<u>51,524</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>52,698</u>	<u>52,698</u>	<u>209,930</u>	<u>157,233</u>
Other Adjustments to Cash (Uses)				
Net Change in Payroll Fund	-		(1,251)	(1,251)
Transfers From Other Funds	189,048	189,048	255,209	66,161
Transfers To Other Funds	(320,000)	(320,000)	(300,999)	19,001
<i>Total Other Adjustments to Cash (Uses)</i>	<u>(130,952)</u>	<u>(130,952)</u>	<u>(47,041)</u>	<u>83,911</u>
<i>Net Change in Fund Balance</i>	(78,255)	(78,255)	162,890	241,144
<i>Fund Balance Beginning of Year</i>	<u>78,255</u>	<u>78,255</u>	<u>46,446</u>	<u>(31,809)</u>
<i>Fund Balance End of Year</i>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ 209,335</u>	<u>\$ 209,335</u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
In Lieu Tax Payments	\$ 27,000	\$ 27,000		\$ (27,000)
Intergovernmental	\$ 1,136,995	\$ 1,162,984	\$ 1,168,472	\$ 5,489
Miscellaneous	145,000	159,525	136,971	(22,555)
<i>Total Receipts</i>	<u>1,308,995</u>	<u>1,349,509</u>	<u>1,305,443</u>	<u>(44,066)</u>
Disbursements				
Roads	920,800	879,105	799,477	79,628
Leases	230,000	382,377	382,375	2
Contingent Appropriations	48,447	30,338		30,338
Transfers of Appropriations to Other Funds	-	12,640		12,640
Fringe Benefits - Employer's Share	202,200	220,168	204,528	15,640
Distributions to Other Governmental Agencies	18,500	18,500		18,500
<i>Total Disbursements</i>	<u>1,419,947</u>	<u>1,543,128</u>	<u>1,386,380</u>	<u>156,748</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>(110,952)</u>	<u>(193,619)</u>	<u>(80,937)</u>	<u>112,682</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			58,500	58,500
Transfers To Other Funds	(189,048)	(189,048)	(239,139)	(50,091)
<i>Total Other Adjustments to Cash (Uses)</i>	<u>(189,048)</u>	<u>(189,048)</u>	<u>(180,639)</u>	<u>8,409</u>
<i>Net Change in Fund Balance</i>	<u>(300,000)</u>	<u>(382,667)</u>	<u>(261,576)</u>	<u>121,091</u>
<i>Fund Balance Beginning of Year</i>	<u>300,000</u>	<u>382,667</u>	<u>382,667</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ (0)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121,091</u></u>	<u><u>\$ 121,091</u></u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

	JAIL FUND			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 104,530	\$ 104,530	\$ 91,626	\$ (12,904)
Miscellaneous	250	250	1,214	964
<i>Total Receipts</i>	<u>104,780</u>	<u>104,780</u>	<u>92,840</u>	<u>(11,940)</u>
Disbursements				
General Government	-	8,529	8,528	1
Protection to Persons and Property	402,380	391,012	286,757	104,255
Fringe Benefits - Employer's Share	22,400	25,239	24,048	1,191
<i>Total Disbursements</i>	<u>424,780</u>	<u>424,780</u>	<u>319,333</u>	<u>105,447</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>(320,000)</u>	<u>(320,000)</u>	<u>(226,493)</u>	<u>93,507</u>
Other Adjustments to Cash (Uses)				
Transfers Out To Other Funds	-	-	(12,000)	(12,000)
Transfers In From Other Funds	320,000	320,000	238,295	(81,705)
<i>Total Other Adjustments to Cash (Uses)</i>	<u>320,000</u>	<u>320,000</u>	<u>226,295</u>	<u>(93,705)</u>
<i>Net Change in Fund Balance</i>	-	-	(198)	(198)
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>545</u>	<u>545</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ 347</u>

Wolfe County
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 100,000	\$ 145,475	\$ 168,012	\$ 22,537
<i>Total Receipts</i>	<u>100,000</u>	<u>145,475</u>	<u>168,012</u>	<u>22,537</u>
Disbursements				
General Government	11,200	13,200	13,200	-
Protection to Persons and Property	13,000	22,387	9,387	13,000
General Health and Sanitation	27,032	27,032	17,873	9,159
Social Services	7,600	7,600	1,900	5,700
Roads	60,000	106,515	106,515	0
Contingent Appropriations	8,268	1,779	-	1,779
Fringe Benefits - Employer's Share	12,900	12,900	11,931	969
<i>Total Disbursements</i>	<u>140,000</u>	<u>191,413</u>	<u>160,806</u>	<u>30,608</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>(40,000)</u>	<u>(45,938)</u>	<u>7,206</u>	<u>53,144</u>
<i>Net Change in Fund Balance</i>	(40,000)	(45,938)	7,206	53,144
<i>Fund Balance Beginning of Year</i>	<u>40,000</u>	<u>45,938</u>	<u>45,938</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ 53,144</u>	<u>\$ 53,144</u>

Wolfe County
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

FIRE PROTECTION FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Taxes		\$ 4,468	\$ 496	\$ (3,972)
				-
<i>Total Receipts</i>	-	4,468	496	(3,972)
Disbursements				
Protection to Persons and Property	-	4,468	2,317	2,151
<i>Total Disbursements</i>	-	4,468	2,317	2,151
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	-	-	(1,821)	(1,821)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	-	-	4,204	4,204
<i>Total Other Adjustments to Cash (Uses)</i>	-	-	4,204	4,204
<i>Net Change in Fund Balance</i>	-	-	2,383	2,383
<i>Fund Balance Beginning of Year</i>				-
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$ 2,383	\$ 2,383

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

SOLID WASTE FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
In Lieu Tax Payments	\$ 114,400	\$ 114,400	\$ 110,251	\$ (4,149)
License & Permits	600	600	1,275	675
Intergovernmental	200,000	200,000	203,155	3,155
Miscellaneous	178,000	178,000	6,547	(171,453)
<i>Total Receipts</i>	493,000	493,000	321,228	(171,772)
Disbursements				
General Health and Sanitation	332,560	354,542	204,233	150,309
Leases	165,300	165,466	162,226	3,240
Contingent Appropriations	159,540	137,392	-	137,392
Fringe Benefits - Employer's Share	35,600	35,600	31,903	3,697
<i>Total Disbursements</i>	693,000	693,000	398,362	294,639
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	(200,000)	(200,000)	(77,134)	122,866
Other Adjustments to Cash (Uses)				
		-	-	-
<i>Net Change in Fund Balance</i>	(200,000)	(200,000)	(77,134)	122,866
<i>Fund Balance Beginning of Year</i>	100,000	100,000	250,802	150,802
<i>Fund Balance End of Year</i>	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 173,668</u>	<u>\$ 273,668</u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Actual
Receipts			
Intergovernmental	\$ -	\$ 147,320	\$ 147,320
<i>Total Receipts</i>	-	147,320	147,320
Disbursements			
Capital Projects	-	147,320	147,320
<i>Total Disbursements</i>	-	147,320	147,320
<i>Excess of Receipts Over (Under) Disbursements</i>	-	-	-
<i>Net Change in Fund Balance</i>	-	-	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$ -

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

	E-911 FUND			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental Revenues	\$ 101,000	\$ 101,000	\$ 137,490	\$ 36,490
Miscellaneous Revenues	500	500	200	(300)
<i>Total Receipts</i>	<u>101,500</u>	<u>101,500</u>	<u>137,690</u>	<u>36,190</u>
Disbursements				
Protection to Persons and Property	160,000	167,426	91,410	76,016
Contingent Appropriations	79,800	71,958	-	71,958
Fringe Benefits - Employer's Share	11,700	12,116	12,075	41
<i>Total Disbursements</i>	<u>251,500</u>	<u>251,500</u>	<u>103,485</u>	<u>148,015</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>(150,000)</u>	<u>(150,000)</u>	<u>34,205</u>	<u>184,205</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	-	-	(2,335)	(2,335)
<i>Net Change in Fund Balance</i>	<u>(150,000)</u>	<u>(150,000)</u>	<u>31,870</u>	<u>181,870</u>
<i>Fund Balance Beginning of Year</i>	<u>150,000</u>	<u>150,000</u>	<u>150,352</u>	<u>352</u>
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,222</u>	<u>\$ 182,222</u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

SPECIAL PROJECTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental Revenues	\$ 1,000,000	\$ 1,000,000		\$ (1,000,000)
Interest Earned	-	-	2,369	2,369
<i>Total Receipts</i>	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,369</u>	<u>(997,631)</u>
Disbursements				
Capital Projects	<u>1,232,425</u>	<u>1,232,425</u>	<u>6,671</u>	<u>1,225,754</u>
<i>Total Disbursements</i>	<u>1,232,425</u>	<u>1,232,425</u>	<u>6,671</u>	<u>1,225,754</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>(232,425)</u>	<u>(232,425)</u>	<u>(4,302)</u>	<u>228,123</u>
<i>Net Change in Fund Balance</i>	<u>(232,425)</u>	<u>(232,425)</u>	<u>(4,302)</u>	<u>228,123</u>
<i>Fund Balance Beginning of Year</i>	<u>232,425</u>	<u>232,425</u>	<u>232,516</u>	<u>91</u>
Prior Year Encumbrances Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 228,214</u></u>	<u><u>\$ 228,214</u></u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

UNITED AGAINST DRUGS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental Revenues	\$ 125,000	\$ 125,000	\$ 114,350	\$ (10,650)
Miscellaneous Revenues	-	-	7,005	7,005
<i>Total Receipts</i>	<u>125,000</u>	<u>125,000</u>	<u>121,355</u>	<u>(3,645)</u>
Disbursements				
Social Services	112,300	112,300	102,644	9,656
Fringe Benefits - Employer's Share	12,700	12,700	12,100	600
<i>Total Disbursements</i>	<u>125,000</u>	<u>125,000</u>	<u>114,744</u>	<u>10,256</u>
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	<u>-</u>	<u>-</u>	<u>6,611</u>	<u>6,611</u>
Other Adjustments to Cash (Uses)	<u>-</u>	<u>-</u>		<u>-</u>
<i>Net Change in Fund Balance</i>	-	-	6,611	6,611
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,645</u>	<u>\$ 6,645</u>

Wolfe County Fiscal Court
Budgetary Comparison Schedules
Supplementary Information - Regulatory Basis
For the Year Ended June 30, 2020

REVOLVING GRANTS FUND

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
<i>Total Receipts</i>	-	-	-	-
Disbursements				
				-
				-
				-
<i>Total Disbursements</i>	-	-	-	-
<i>Excess of Receipts Over (Under) Disbursements Before Other Adjustments to Cash (Uses)</i>	-	-	-	-
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	-	-	(1,735)	(1,735)
<i>Net Change in Fund Balance</i>	-	-	(1,735)	(1,735)
<i>Fund Balance Beginning of Year</i>	-	-	1,735	1,735
Prior Year Encumbrances Appropriated	-	-	-	-
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$ -	\$ -

WOLFE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION – BUDGETARY COMPARISON SCHEDULES

June 30, 2020

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020

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WOLFE COUNTY
Other Information Schedule
FYE June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Land	\$ 1,513,439		\$ 1,513,439
Buildings	12,654,062		12,654,062
Vehicles	692,040	301,758	993,798
Equipment *	1,070,238*	100,000	1,170,238
Infrastructure	<u>4,986,853</u>		<u>4,986,853</u>
Total Capital Assets	\$ 20,916,632	\$ 401,758	\$ 21,318,390

* The Beginning Balance has been restated to account for removal of items (computers, air compressor, snowplow) under capitalization threshold

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

June 30, 2020

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

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

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INDEPENDENT AUDITOR’S 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*

The Honorable Raymond Banks, Wolfe County Judge/Executive
Members of the Breathitt County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2020, and the related notes to the financial statement which collectively comprise the Wolfe County Fiscal Court’s financial statement and have issued our report thereon dated April 23, 2021.

Internal Control over Financial Reporting

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

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, and 2020-009 to be material weaknesses.

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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-006, 2020-007, 2020-008, and 2020-010 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wolfe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-005, and 2020-009.

Views of Responsible Officials and Planned Corrective Action

Wolfe County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Caudill & Associates, CPA

Caudill and Associates, CPA PLLC
Certified Public Accountant

Lexington, KY
April 23, 2021

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-001

Interfund Cash Transfer Amounts Approved by the Fiscal Court do not match what was actually transferred

Condition and Context:

For the purpose of transacting day-to-day operations, the Fiscal Court often needs to move cash from one fund to another. These interfund cash transfers must be approved by the Fiscal Court prior to the cash actually being moved. However, in many instances, it was noted that the amount approved by the Fiscal Court did not match, and in some instances was less than, the amount actually transferred between funds.

Cause:

The County Treasurer was not aware that the total cash moved through interfund cash transfers must match the amount approved by the Fiscal Court.

Effect:

The Fiscal Court utilizes financial reporting provided by the County Treasurer and Finance Officer to make decisions and effectively regulate the fiscal affairs of the County. When cash balances transferred consistently do not match the balances approved by the Fiscal Court, they may find themselves uninformed and unaware of the true balances of each of the County's accounts. This, in turn, could hinder their ability to effectively govern. Additionally, transfers may be made without the specific approval of the fiscal court, which increases the risk of undetected errors, fraud, misstatements, or other non-compliance issues

Criteria:

KRS 68.290 gives the Fiscal Court the authority to "transfer money from one budget fund to another to provide for emergencies or increases or decreases in county employment". Furthermore, KRS 67.080 gives the Fiscal Court the sole authority to "regulate and control the fiscal affairs of the County".

Recommendations:

We recommend that going forward, the County Treasurer should only transfer cash balances equal to those that are approved by the Fiscal Court.

Officials' Response:

Previous audits have allowed this action. We have been advised that it was always better to get the full amount of transfer approved even if the full amount wasn't needed. Example: Jail fund mostly operates from money transferred from General Fund; however, Jail fund receives small amounts of money occasionally. The transfer amount is figured on the amount of bills the Jail fund has incurred. If the Jail fund has received in other money, the full amount of transfer is not always transferred, only the amount needed. However, we are approved "up to" the amount approved by Fiscal Court. Going forward, we will attempt to closely monitor amounts needed for the interfund cash transfer presented to, and approved by, the Fiscal Court to avoid any discrepancies.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020
FINDING NUMBER 2020-002

The County Treasurer performed an Interfund Cash Transfer without Fiscal Court Approval

Condition and Context:

For the purpose of transacting day-to-day operations, the Fiscal Court often needs to move cash from one fund to another. These interfund cash transfers must be approved by the Fiscal Court prior to the cash actually being moved.

On July 1, 2019, the County Treasurer transferred \$100,000.00 from the Road Fund to the General Fund as a partial distribution of the anticipated FY 2020 Truck License Refund. On the remittance sheet provided to the auditor, the Treasurer had written “Approved in the budget”. However, though interfund transfers were appropriated within the Budget through the utilization of revenue codes 4909 and 4910, the particular interfund cash transfer had not been authorized by the Fiscal Court. With the exception of standing order accounts, a budget approved by the Fiscal Court does not, in and of itself, grant permission to the County Treasurer to expend or transfer County funds.

Cause:

The County Treasurer operated under the assumption that because a Road Fund Allocation equal to the budgeted Truck License Refund Revenue was approved by the Fiscal Court as part of the FY 2019-2020 budget, prior permission was not needed to move those funds from the Road Fund to the General Fund.

Effect:

The Fiscal Court utilizes financial reporting provided by the County Treasurer and Finance Officer to make decisions and effectively regulate the fiscal affairs of the County. When cash balances are transferred, but not approved by the Fiscal Court, they may find themselves uninformed and unaware of the true balances of each of the County’s accounts. This, in turn, could hinder their ability to effectively govern. Additionally, when transfers are made without the specific approval of the fiscal court, it increases the risk of undetected errors, fraud, misstatements, or other non-compliance issues

Criteria:

KRS 68.290 gives the Fiscal Court the authority to “transfer money from one budget fund to another to provide for emergencies or increases or decreases in county employment”. Furthermore, KRS 68.020(1) says, in part, that the County Treasurer “...shall disburse such money in such manner and for such purpose as may be authorized by appropriate authority of the fiscal court.”

Recommendations:

We recommend that going forward the County Treasurer should obtain prior approval from the Fiscal Court before executing any interfund cash transfer.

Officials’ Response:

Going forward, no cash balances will be transferred between funds until they are first presented to, and approved by, the Fiscal Court.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-003

The Fiscal Court failed to correctly utilize the Uniform Systems of Accounts as established by the State Local Finance Officer.

Condition and Context:

The State Local Finance Officer, by way of the *County Budget Preparation and State Local Finance Officer Policy Manual*, has established a uniform system of accounts that all county governments must utilize when crafting and administering their annual budgets. These accounts are broken down between revenue and expenditure codes, and are further subdivided by major code function. As part of their General Fund budget, the Fiscal Court appropriated \$4,300.00 to Account # 01-5150-507. The 5100 series major code is defined as an expenditure code for "Protections to Person and Property". However, the Fiscal Court placed this account in their General Fund Receipts, which is inconsistent with the policy set forth by the State Local Finance Officer. As part of their Solid Waste Fund Budget, the Fiscal Court appropriated \$100,000.00 to Account # 13-5212-468. The 5200 series major code is defined as an expenditure code for "General Health and Sanitation". However, the Fiscal Court placed this account in their Solid Waste Receipts as well as in their Solid Waste Expenditures, which is inconsistent with the policy set forth by the State Local Finance Officer. As part of their Special Projects Fund budget, the Fiscal Court appropriated \$1,000,000.00 to Account # 88-8099-548. The 8000 series major code is defined as an expenditure code for "Capital Projects". However, the Fiscal Court placed this account in their Special Projects Fund Receipts as well as in their Special Projects Fund Expenditures, which is inconsistent with the policy set forth by the State Local Finance Officer.

Cause:

The Fiscal Court failed to provide proper oversight of the FY 2019-2020 budget.

Effect:

The Fiscal Court's FY 2019-2020 budget did not conform to the uniform standards set forth by the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Criteria:

KRS 147A.020(1)(b) states that "The state local finance officer shall exercise all administrative functions regarding county and local government budgets, as provided in KRS 68.210 to 68.360." Furthermore, KRS 68.210 states "The administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials."

Recommendations:

We recommend that going forward, the Fiscal Court should ensure that the annual budget is prepared in accordance with the specifications and standards set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Officials' Response:

Treasurer inherited coded system from previous treasurer. At time budget was created, Fiscal Court hired consultant to assist in preparing budget due to previous issues and new treasurer being unsure of preparation. Several miscoded items were corrected however some codes must have been missed. We believe all codes have since been corrected in the 20-21 budget. Going forward, all budgeted receipts and expenditure accounts will be utilized in accordance with DLG's County Budget Preparation and State Local Finance Officer Policy Manual.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020
FINDING NUMBER 2020-004

The Solid Waste Fund Budget, as reported in the 4th Quarter Report and in the Original Budget, are inconsistent

Condition and Context:

At the end of each quarter of the fiscal year, the County Judge/Executive is responsible for preparing a financial report and transmitting that report to the State Local Finance Officer and Fiscal Court within 15 days following the close of the quarter.

In the Fiscal Court's original budget, the Solid Waste Fund's budgeted receipts and expenditures were established at \$693,000.00 respectively. However, while the Solid Waste Fund's budgeted expenditures were reported at \$693,000.00 in the 4th quarter settlement, budgeted revenues were reported at \$593,000.00, creating a \$100,000.00 variance relative to the original budget.

Cause:

The County Judge/Executive did not provide proper oversight with regards to the preparation of the County's 4th quarter financial report.

Effect:

Quarterly reports provide valuable information to the fiscal court and are an essential component of sound financial management practices. Complete and accurate quarterly reports enable the fiscal court to be fully informed of its financial activity and obligations. Failure to accurately reflect the County's financial information may adversely affect the fiscal court's decision making capabilities.

Criteria:

KRS 68.360(2) states that "The county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days, and transmit a copy to the fiscal court and to the state-local finance officer."

Recommendations:

We recommend that going forward, the County Judge/Executive should ensure that all quarterly financial reports are prepared timely and accurately.

Officials' Response:

We believe this \$100,000.00 variance was created by the expenditure code 13-5212-468 being placed in the receipts as stated in finding 2020-003. Receipts quarterly report does not recognize 13-5212-468 creating the variance. Going forward, all quarterly financial reports will be checked against the Original Budget and the General Ledger before they are submitted to the Fiscal Court and the Department for Local Government.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-005

The Fiscal Court did not establish adequate controls over The Public Properties Corporation Fund

Condition: The fiscal court did not maintain adequate controls over the Public Properties Corporation Fund. No financial statements were prepared and no information regarding the activity in the fund was submitted to the fiscal court for review.

Cause: The treasurer was unaware he had to prepare a financial statement for the Public Properties Corporation Fund. This fund is for reporting of debt financing for the fiscal court and not included on the quarterly report, per Department for Local Government guidelines.

Effect: By not preparing an annual financial statement, the fiscal court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in fraud, errors, or misstatements that go undetected.

Criteria: The fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation Fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained and complete and accurate information is available for review.

Recommendations: We recommend the county treasurer reconcile this account and prepare a financial statement for the Public Properties Corporation Fund.

Officials' Response:

The County receives period report showing the balance of the Public Properties Corporation Fund. As of February 2021, these reports are being presented to Fiscal Court for approval. Going forward, these reports will be presented to the Fiscal Court and made part of the official record.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-006

The Fiscal Court and County Treasurer allowed claims in excess of their respective budget funds

Condition and Context:

On December 27, 2019, the Wolfe County Fiscal Court issued a check, number 523 from the LGED Fund, in the amount of \$65,420.00. At the time the expenditure was made, the appropriation line item to which it was charged (31-8099-739) had a free balance of zero. On January 14, 2020, eighteen days after the particular expenditure was made, the Fiscal Court approved the first reading of Budget Amendment # 1, which created an appropriation of \$65,420.00 in the LGED Fund Budget. On June 10, 2020, the Wolfe County Fiscal Court issued two checks, numbers 22000 and 22001 from the General Fund, cumulatively totaling \$676,433.65. At the time the expenditures were made, the appropriation line item to which they were charged (01-5075-348) had a free balance of zero. On June 19, 2020, nine days after the particular expenditures were made, the Fiscal Court approved the adoption of Budget Amendment # 2, which created an appropriation of \$676,434.00 in the General Fund Budget.

Cause:

The Fiscal Court and County Treasurer did not exercise adequate oversight with regard to budgeted funds and related disbursements.

Effect:

Claims were approved by the Fiscal Court and funds were expended by the County Treasurer for which no sufficiently budgeted appropriation existed.

Criteria:

Per KRS 68.300, “Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.”

Furthermore, according to page 77 of the *County Budget Preparation and State Local Finance Officer Policy Manual*, the County Treasurer shall countersign checks only if there is an “adequate free balance in a **properly budgeted** appropriation account to cover the check” and a “sufficient fund balance”.

Recommendations:

We recommend that the Fiscal Court and County Treasurer should ensure that properly budgeted appropriation accounts and sufficient fund balances exist for all claims approved and issued by the County.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-006 (Continued)

Officials' Response:

Going forward, no check will be disbursed until the County Treasurer has verified that there is an appropriated budgeted appropriation account and sufficient fund balance to cover it.

FINDING NUMBER 2020-007

The Fiscal Court did not report The Public Properties Corporation Debt and did not include the long term liabilities schedule with the fourth quarter report.

Condition and Context:

This is a repeat finding and was included in the prior year report as finding 2019-003. The treasurer did not report public properties corporation fund debt principal outstanding of \$6,725,000 and did not report lease principal outstanding of \$951,175 on the fourth quarter financial report.

Cause:

The fourth quarter financial report submitted to the Department for Local Government did not include a liabilities section, therefore, none of the county's outstanding debt obligations were reported properly.

Effect:

Quarterly reports provide valuable information to the fiscal court and are an essential component of sound financial management practices. Complete and accurate quarterly reports enable the fiscal court to be fully informed of its financial activity and obligations. Failure to include material debt obligations may adversely affect the fiscal court's decision making capabilities.

Criteria:

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires counties to include a liabilities listing for all outstanding debt with the quarterly financial report.

Recommendations:

We recommend the fiscal court ensure that all outstanding bonds, leases, notes, and other debt obligations are reported in the liabilities section of the fourth quarter financial statement.

Officials' Response:

Going forward, all short and long term debt balances will be properly and accurately reported on the County's quarterly financial reports.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-008

Instances were discovered in which employees did not sign their timesheets.

Condition and Context:

As part of the payroll testing, a random selection of employee timesheets were reviewed for completeness and accuracy. While reviewing this random sample, two timesheets were discovered that did not have the employee's signature. In fact, the County Judge/Executive signed in the place of both the employee and supervisor on one time sheet, and on the other, the Judge/Executive signed in place of the employee. Despite the missing signatures, payroll checks were processed and issued in these particular instances.

Cause:

The County lacks sufficient internal controls with regard to the review and processing of payroll. Employees must sign their own time sheets in order to attest to the accuracy of the hours reported on the timesheet.

Effect:

When weak internal controls exist, or internal controls that are in place are not adhered to, the risk for undetected fraud, errors or misstatements increases significantly.

Criteria:

Good internal controls require that different individuals process, calculate, authorize, record, and reconcile payroll information. One individual should not have sole control over the entire process. If segregation of duties is not possible, strong management oversight and a documented review process should be implemented to offset the risk of inadequate segregation of duties.

Recommendations:

We recommend that the Fiscal Court evaluate its internal controls and policies concerning the review and processing of payroll. Specific to this instance, going forward those personnel in charge of processing payroll should ensure that all timesheets are signed by both the appropriate employee and supervisor before issuing payment.

Officials' Response:

Going forward, the Finance Officer will ensure that all time sheets are signed and dated by the employee and employee's supervisor before a payroll check is processed.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-009

The County Treasurer failed to deposit National Forestry receipts into the County Road Fund.

Condition and Context:

State law requires that 50% of a County's National Forestry receipts be expended on public roads. In Fiscal Year 2019-2020, the County received \$31,776 in National Forestry Receipts. However, in lieu of allocating fifty percent (50%) of these funds for purposes related to public roads, the County Treasurer deposited the entire check into the County's General Fund and coded the receipt to 01-4205-000.

Cause:

The County Treasurer failed to deposit the National Forestry Receipts into the County's Road Fund.

Effect:

Fifty percent off the forestry receipts were not expended on public roads.

Criteria:

Pursuant to KRS 149.130(3), "The County Treasurer shall place one-half (1/2) of the funds to the credit of the public roads of his county and the other half (1/2) shall be distributed among the school districts in the county according to the area of the reserve in each school district."

Recommendations:

We recommend that going forward, National Forestry Receipts should be deposited into the County Road Fund using Revenue Code 02-4205 so as to ensure that 50% of the funds are expended on public road-related purposes.

Officials' Response:

Going forward, all National Forestry Receipts will be deposited into the Road Fund and expended on public roads.

WOLFE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

FINDING NUMBER 2020-010

The Fiscal Court Failed to Remit a Share of the National Forestry Receipts to the School District.

Condition and Context:

This is a repeat finding and was included in the prior year report as finding 2019-006. The fiscal court received one check totaling \$31,776 in national forestry receipts in fiscal year 2020. Fifty percent of that amount was to be remitted to the Wolfe County Board of Education.

Cause:

The fiscal court failed to remit funds to the board of education and this error was undetected by management.

Effect:

The board of education did not receive their share of the national forestry receipts.

Criteria:

KRS 149.130(3) states “The county treasurer shall place one-half (1/2) of the funds to the credit of the public roads of his county and the other half (1/2) shall be distributed among the school districts in the county according to the area of the reserve in each school district.”

Additionally, page 18 of the *County Budget Preparation and State Local Finance Officer Policy Manual* states that 50% of forestry receipts should be “distributed through the road fund to the school board using account code 02-9500-902”.

Recommendations:

We recommend the fiscal court remit the required amount of national forestry receipts to the board of education.

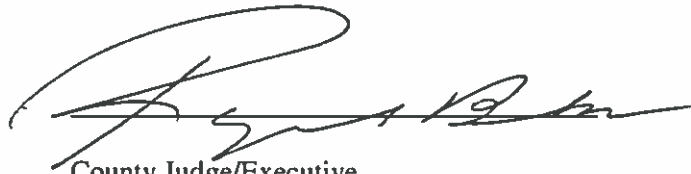
Officials’ Response:

The official did not provide a response.

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

For The Year Ended June 30, 2020

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

A handwritten signature in black ink, appearing to read "John R. ...", written over a horizontal line.

County Judge/Executive

A handwritten signature in blue ink, appearing to read "Portia Harris", written over a horizontal line.

County Treasurer