

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

**For The Fiscal Year Ended
June 30, 2015**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT.....	1
WOLFE COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS	5
NOTES TO THE FINANCIAL STATEMENT	10
BUDGETARY COMPARISON SCHEDULES	23
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES	36
SCHEDULE OF CAPITAL ASSETS	37
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - SCHEDULE OF CAPITAL ASSETS	39
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	40
COMMENTS AND RECOMMENDATIONS.....	43
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS.....	59

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To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum, III, Secretary
Finance and Administration Cabinet
Honorable Dennis Brooks, Wolfe County Judge/Executive
Members of the Wolfe County Fiscal Court

Independent Auditors' Report

Report on the Financial Statement

We were engaged to audit the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Wolfe County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise Wolfe County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditors' 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.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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

As described more fully in Note 1 of the financial statement, the financial statement is prepared by 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.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Wolfe County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Basis for Disclaimer of Opinion

Based on our assessment of fraud risk, we determined the risk of fraud to be too high, and we were unable to apply other procedures to overcome this fraud risk. The Wolfe County Fiscal Court had serious weaknesses in design and operation of its internal control procedures, accounting functions, and backup of electronic data. Due to these weaknesses, the fraud risk exists for an individual to manipulate, misappropriate, and/or misdirect funds.

Disclaimer of Opinion on Regulatory Basis of Accounting

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on the Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis of Wolfe County Fiscal Court for the fiscal year ended June 30, 2015. Accordingly, we do not express an opinion on the Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis for the fiscal year ended June 30, 2015.

Other Matters

Supplementary Information

We were engaged for the purpose of forming an opinion on the financial statement taken as a whole of Wolfe County Fiscal Court. The budgetary comparison schedules and schedule of capital assets 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 and schedule of capital assets 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. Due to the unreliability of the underlying financial records, auditors were unable to conduct required procedures to issue an opinion on the budgetary comparison schedules and schedule of capital assets. Accordingly we do not express an opinion on the accompanying budgetary comparison schedules and schedule of capital assets.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2016 on our consideration of 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 Wolfe County Fiscal Court's internal control over financial reporting and compliance.

Based on our engagement to audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2015-001 The Fiscal Court Lacks Adequate Internal Controls Over Disbursements And Purchase Orders
- 2015-002 The Fiscal Court Should Ensure Their Electronic Data Is Recoverable In The Event Of A System Failure
- 2015-003 The Fiscal Court Lacks Adequate Internal Controls Over Occupational Taxes
- 2015-004 The Fiscal Court Lacks Adequate Internal Controls And Segregation Of Duties Over Payroll
- 2015-005 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes
- 2015-006 The Payroll Revolving Account Was Not Reconciled Properly
- 2015-007 The County Lacks Adequate Control Over The Lease Agreement With Their Ambulance Service
- 2015-008 The County Lacks Adequate Control Over Their Agreement With JSW Farm LLC (The Chop Shop)
- 2015-009 The County Should Determine If Part-Time Employees Are Eligible For County Retirement
- 2015-010 The Fiscal Court Should Cease The Practice Of Selling Gravel To Individuals
- 2015-011 Wolfe County Fiscal Court Should Adopt A Written Investment Policy
- 2015-012 The County Should Fix The Compensation Of Every County Officer And Employee
- 2015-013 The County's Lease With Arrow-Med Ambulance Does Not Comply With KRS 65.710
- 2015-014 The County Did Not Comply With KRS 68.310 Limits Of Expenditures In First Half Of Fourth Year
- 2015-015 The County Expended Coal Severance Receipts On Something Other Than Transportation Categories
- 2015-016 The County Should Have A Corrective Action Plan To Address Prior Year Invoices Provided That Did Not Substantiate Ambulance Reimbursements

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

August 17, 2016

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Dennis Brooks	County Judge/Executive
Brenden Rose	Magistrate
James Dean	Magistrate
Garrett Denniston	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 Personnel:

Rebecca Long	County Treasurer
Tracy Sparks	Chief Financial Officer

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

For The Year Ended June 30, 2015

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

For The Year Ended June 30, 2015

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 670,820			\$
In Lieu Tax Payments	15,180	41,395		
Excess Fees	24,020			
Licenses and Permits	497			
Intergovernmental	314,317	1,540,512	85,388	267,627
Miscellaneous	116,241	621,147	627	
Interest	220	663	3	78
Total Receipts	1,141,295	2,203,717	86,018	267,705
DISBURSEMENTS				
General Government	749,201			46,200
Protection to Persons and Property	47,010		399,377	470
General Health and Sanitation	93,401			15,775
Social Services	780			7,600
Roads		1,695,183		26,645
Debt Service		224,318		
Capital Projects		72,090		
Administration	399,445	172,020	16,624	11,656
Total Disbursements	1,289,837	2,163,611	416,001	108,346
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(148,542)	40,106	(329,983)	159,359
Other Adjustments to Cash (Uses)				
Payroll Revolving Account	6,437			
KACO Lease Proceeds		258,928		
Transfers From Other Funds	275		332,800	
Transfers To Other Funds	(158,850)			(173,950)
Total Other Adjustments to Cash (Uses)	(152,138)	258,928	332,800	(173,950)
Net Change in Fund Balance	(300,680)	299,034	2,817	(14,591)
Fund Balance - Beginning	568,310	643,306	2,088	131,090
Fund Balance - Ending	\$ 267,630	\$ 942,340	\$ 4,905	\$ 116,499
Composition of Fund Balance				
Bank Balance	\$ 268,750	\$ 944,207	\$ 4,975	\$ 116,499
Less: Outstanding Checks	(1,120)	(1,867)	(70)	
Plus: Certificate of Deposit				
Fund Balance - Ending	\$ 267,630	\$ 942,340	\$ 4,905	\$ 116,499

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

WOLFE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Budgeted Funds</u>			
	<u>Area Development Fund</u>	<u>Fire Protection Fund</u>	<u>Solid Waste Fund</u>	<u>Search and Rescue Fund</u>
RECEIPTS				
Taxes	\$	\$ 2,317	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental			3,200	7,165
Miscellaneous			21,762	
Interest	1			5
Total Receipts	<u>1</u>	<u>2,317</u>	<u>24,962</u>	<u>7,170</u>
DISBURSEMENTS				
General Government				
Protection to Persons and Property		2,317		4,292
General Health and Sanitation			11,397	
Social Services				
Roads				
Debt Service				
Capital Projects				
Administration				
Total Disbursements		<u>2,317</u>	<u>11,397</u>	<u>4,292</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1		13,565	2,878
Other Adjustments to Cash (Uses)				
Payroll Revolving Account				
KACO Lease Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	1		13,565	2,878
Fund Balance - Beginning	3,451	2,592	41,912	2,689
Fund Balance - Ending	<u>\$ 3,452</u>	<u>\$ 2,592</u>	<u>\$ 55,477</u>	<u>\$ 5,567</u>
Composition of Fund Balance				
Bank Balance	\$ 3,452	\$ 2,592	\$ 55,477	\$ 5,567
Less: Outstanding Checks				
Plus: Certificate of Deposit				
Fund Balance - Ending	<u>\$ 3,452</u>	<u>\$ 2,592</u>	<u>\$ 55,477</u>	<u>\$ 5,567</u>

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

WOLFE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Budgeted Funds			
	Local Government Economic Development Fund	Special Projects Fund	E-911 Fund	Animal Shelter Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental	46,555	323,367	90,344	
Miscellaneous	47	198,271	587	
Interest		499	44	
Total Receipts	<u>46,602</u>	<u>522,137</u>	<u>90,975</u>	
DISBURSEMENTS				
General Government				
Protection to Persons and Property			63,825	
General Health and Sanitation				5,875
Social Services				
Roads				
Debt Service				
Capital Projects	83,610	323,367		
Administration	47		5,898	
Total Disbursements	<u>83,657</u>	<u>323,367</u>	<u>69,723</u>	<u>5,875</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(37,055)	198,770	21,252	(5,875)
Other Adjustments to Cash (Uses)				
Payroll Revolving Account				
KACO Lease Proceeds				
Transfers From Other Funds				
Transfers To Other Funds			(275)	
Total Other Adjustments to Cash (Uses)			<u>(275)</u>	
Net Change in Fund Balance	(37,055)	198,770	20,977	(5,875)
Fund Balance - Beginning	111,354	153,129	42,060	12,312
Fund Balance - Ending	<u>\$ 74,299</u>	<u>\$ 351,899</u>	<u>\$ 63,037</u>	<u>\$ 6,437</u>
Composition of Fund Balance				
Bank Balance	\$ 75,468	\$ 362,644	\$ 63,037	\$ 6,437
Less Outstanding Checks	(1,169)	(110,745)		
Plus: Certificate of Deposit		100,000		
Ending Fund Balance	<u>\$ 74,299</u>	<u>\$ 351,899</u>	<u>\$ 63,037</u>	<u>\$ 6,437</u>

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

WOLFE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Cemetery</u>	<u>Public</u>	<u>Total</u>
	<u>Fund</u>	<u>Properties</u>	<u>Funds</u>
	<u>Fund</u>	<u>Corporation</u>	<u>Funds</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 673,137
In Lieu Tax Payments			56,575
Excess Fees			24,020
Licenses and Permits			497
Intergovernmental		808,880	3,487,355
Miscellaneous			958,682
Interest			1,513
Total Receipts		<u>808,880</u>	<u>5,201,779</u>
DISBURSEMENTS			
General Government			795,401
Protection to Persons and Property			517,291
General Health and Sanitation			126,448
Social Services	50		8,430
Roads			1,721,828
Debt Service		810,420	1,034,738
Capital Projects			479,067
Administration			605,690
Total Disbursements	<u>50</u>	<u>810,420</u>	<u>5,288,893</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50)	(1,540)	(87,114)
Other Adjustments to Cash (Uses)			
Payroll Revolving Account			6,437
KACO Lease Proceeds			258,928
Transfers From Other Funds			333,075
Transfers To Other Funds			(333,075)
Total Other Adjustments to Cash (Uses)			<u>265,365</u>
Net Change in Fund Balance	(50)	(1,540)	178,251
Fund Balance - Beginning	50	192,963	1,907,306
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 191,423</u>	<u>\$ 2,085,557</u>
Composition of Fund Balance			
Bank Balance	\$	\$ 191,423	\$ 2,100,528
Less Outstanding Checks			(114,971)
Plus: Certificate of Deposit			100,000
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 191,423</u>	<u>\$ 2,085,557</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11
NOTE 2.	DEPOSITS.....	15
NOTE 3.	TRANSFERS	16
NOTE 4.	SHORT-TERM DEBT	16
NOTE 5.	LONG-TERM DEBT.....	16
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM.....	19
NOTE 7.	DEFERRED COMPENSATION	20
NOTE 8.	INSURANCE.....	21
NOTE 9.	SUBSEQUENT EVENTS	21
NOTE 10.	NOTE RECEIVABLE - THE CHOP SHOP	21
NOTE 11.	LEASE.....	21
NOTE 12.	SUBLEASE.....	22
NOTE 13.	PAYROLL REVOLVING ACCOUNT.....	22

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

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

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

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

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

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

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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

D. Budgetary Information

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

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

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

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

E. Wolfe County Elected Officials

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Joint Ventures

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

Three Forks Regional Jail

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

H. Joint Ventures (Continued)

Three Forks Regional Jail (Continued)

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

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

Wolfe-Morgan Industrial Development Authority

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	E-911 Fund	LGEA Fund	Total Transfers In
General Fund	\$	\$ 275	\$	\$ 275
Jail Fund	158,850		173,950	332,800
Total Transfers Out	<u>\$ 158,850</u>	<u>\$ 275</u>	<u>\$ 173,950</u>	<u>\$ 333,075</u>

Reason for transfers:

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

Note 4. Short-term Debt

A. On June 2, 2014, Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a Mack truck. The lease is for \$127,056 at an interest rate of 3.25%. Interest payments are due by the 20th of each month. As of June 30, 2015, the principal was paid in full.

B. Changes in Short-term Debt

Short-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$	\$ 127,056	\$ 127,056	\$	\$
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 127,056</u>	<u>\$ 127,056</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Long-term Debt

A. First Mortgage Revenue Bonds - Judicial Building

In April 2010, Wolfe County Public Properties Corporation entered into an agreement for the issuance of \$10,930,000 First Mortgage Revenue Bonds, Series 2010, to finance the costs of a new Justice Center facility. The bonds were issued for a twenty year period, with semi-annual interest payments due May 1 and November 1 of each year beginning November 1, 2010, and principal due upon maturity at May 1, 2030. The ending principal balance at June 30, 2015 was \$8,750,000. Future principal and interest requirements are:

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 5. Long-term Debt (Continued)

A. First Mortgage Revenue Bonds - Judicial Building (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 460,000	\$ 346,800
2017	470,000	336,450
2018	485,000	322,350
2019	495,000	307,800
2020	510,000	292,950
2021-2025	2,840,000	1,181,650
2026-2030	<u>3,490,000</u>	<u>534,150</u>
Totals	<u>\$ 8,750,000</u>	<u>\$ 3,322,150</u>

B. Kentucky Association of Counties – Black Top

On October 9, 2013, Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to blacktop county roads. The lease is for \$1,000,000 at an interest rate of 3.84% per annum. Interest payments are due by the 20th of each month. The entire principal amount is due on January 20, 2029. The principal balance of the agreement was \$929,167 as of June 30, 2015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 52,083	\$ 40,580
2017	55,000	39,239
2018	55,000	37,829
2019	57,084	36,294
2020	62,083	32,441
2021-2025	349,167	113,405
2026-2029	<u>298,750</u>	<u>34,278</u>
Totals	<u>\$ 929,167</u>	<u>\$ 334,066</u>

C. Kentucky Association of Counties – Mack Truck

On April 1, 2015, Wolfe County Fiscal Court entered into a capital lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a Mack truck. The lease is for \$131,872 at an interest rate of 3.25%. Interest payments are due by the 20th of each month. The entire principal amount is due on October 20, 2016. The principle balance of the agreement was \$131,872 as of June 30, 2015.

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 5. Long-term Debt (Continued)

C. Kentucky Association of Counties – Mack Truck (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$	\$ 4,286
2017	131,872	1,429
Totals	<u>\$ 131,872</u>	<u>\$ 5,715</u>

D. Long-term Debt in the Aggregate

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 512,083	\$ 391,666
2017	656,872	377,118
2018	540,000	360,179
2019	552,084	344,094
2020	572,083	325,391
2021-2025	3,189,167	1,295,055
2026-2030	3,788,750	568,428
Totals	<u>\$ 9,811,039</u>	<u>\$ 3,661,931</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 9,200,000	\$	\$ 450,000	\$ 8,750,000	\$ 460,000
Financing Obligations	979,167	131,872	50,000	1,061,039	52,083
Total Long-term Debt	<u>\$ 10,179,167</u>	<u>\$ 131,872</u>	<u>\$ 500,000</u>	<u>\$ 9,811,039</u>	<u>\$ 512,083</u>

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 6. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

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 account. Members contribute 5% (nonhazardous) of their annual creditable compensation and 1% 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 Board 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% (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$187,546, FY 2014 was \$196,366, and FY 2015 was \$183,240.

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

CERS also provides post-retirement health care coverage as follows:

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 6. Employee Retirement System (Continued)

A. Plan Description (Continued)

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

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.

B. Net Pension Liability

As promulgated by GASB Statements No. 67 and 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The net pension liability for employers participating in CERS for nonhazardous is \$3,244,377,000 as of June 30, 2014. Based on these requirements, Wolfe County's proportionate share of the net pension liability as of June 30, 2015 is:

	June 30, 2014	June 30, 2015
Non-Hazardous	\$ 1,680,000	\$ 1,485,000
Totals	\$ 1,680,000	\$ 1,485,000

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.gov or can be obtained as described above.

Note 7. Deferred Compensation

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

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

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

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 8. Insurance

For the fiscal year ended June 30, 2015, Wolfe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Subsequent Events

Subsequent events have been evaluated through August 17, 2016, which is the date the financial statements were available to be issued.

Note 10. Note Receivable - The Chop Shop

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

Note 11. Lease

On December 9, 2014, Wolfe County Fiscal Court (Lessor) entered into an agreement to lease property located at 166 Wolfe County Elementary School Road and considered surplus to the needs of the fiscal court to 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 (1) dollar per year for fifty (50) years.

The Lessee will improve the property by constructing, rehabilitating and equipping (19) units consisting of sixteen (16) affordable multifamily residential rental housing units and three (3) market rate units, collectively serving senior citizens together with three related facilities. The costs associated with this project will be funded by Kentucky Housing Corporation Home Funds of \$500,000, HTC Equity of \$2,588,047, State Historic Tax Credit Refund of \$199,932, Community Development Block Grant of \$650,000, FAHE contribution of \$1,800,000 and a general partner contribution of \$259.

A \$650,000 Community Development Block Grant was obtained by and passed through the Wolfe County Fiscal Court. The amount expended during the June 30, 2015 fiscal year totaled \$323,367. These expenditures were coded as capital outlay. No value has been included on the fixed asset schedule for this asset.

The Lessee will subsequently sublease back to the Lessor, 6,318 gross square feet of space to be used as a community center.

An amount of one (1) dollar annually shall be paid to Wolfe County Fiscal Court by the annual anniversary of the lease execution date.

**WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2015

Note 11. Lease (Continued)

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

Commencing on the first day of the sixth year of the term of this Lease, Lessee shall deposit in a Kentucky bank annually the minimum sum of \$6,175 growing at 3% per annum or the purpose of providing to Lessee a working replacement reserve account. Lessee is entitled to a withdrawal from the Escrow Account at any time that funds are available for maintenance purposes.

Note 12. Sublease

On December 9, 2014, Wolfe County Fiscal Court entered an agreement to sublease the community center from Wolfe County High School, LLLP for a base rent of one (1) dollar per year for twenty (20) years. The fiscal court will be responsible for all community center utility expenses which are metered separate from the housing property. Additional rental costs billed within ten (10) business days after the end of each calendar month by invoice prepared and delivered by Wolfe County High School, LLLP will include the following:

- Garbage: 20%
- Fire Alarm Phone Lines (2) 50%
- Grounds and Snow 40%
- Fire Alarm Monitoring 50%
- Annual Sprinkler Inspection 50%
- Fire Extinguisher Inspections TBD
- Property Insurance TBD

The additional rent is to be paid in full by the fiscal court within thirty (30) days of receipt of the invoice.

Note 13. Payroll Revolving Account

The reconciled balance of the Payroll Revolving Account as of June 30, 2015, was added to the General Fund cash balance for financing reporting purposes.

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

For The Year Ended June 30, 2015

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 559,400	\$ 583,372	\$ 670,820	\$ 87,448
In Lieu Tax Payments		15,180	15,180	0
Excess Fees		24,020	24,020	0
Licenses and Permits	1,250	1,250	497	(753)
Intergovernmental	496,306	496,306	314,317	(181,989)
Charges for Services	100	100		(100)
Miscellaneous	26,000	100,881	116,241	15,360
Interest	500	500	220	(280)
Total Receipts	<u>1,083,556</u>	<u>1,221,609</u>	<u>1,141,295</u>	<u>(80,314)</u>
DISBURSEMENTS				
General Government	727,875	810,078	749,201	60,877
Protection to Persons and Property	34,003	51,601	47,010	4,591
General Health and Sanitation	354,520	321,975	93,401	228,574
Social Services	11,000	1,144	780	364
Administration	461,443	520,057	399,445	120,612
Total Disbursements	<u>1,588,841</u>	<u>1,704,855</u>	<u>1,289,837</u>	<u>415,018</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(505,285)	(483,246)	(148,542)	334,704
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	105,285	105,285	275	(105,010)
Transfers To Other Funds	(100,000)	(150,444)	(158,850)	(8,406)
Total Other Adjustments to Cash (Uses)	<u>5,285</u>	<u>(45,159)</u>	<u>(158,575)</u>	<u>(113,416)</u>
Net Change in Fund Balance	(500,000)	(528,405)	(307,117)	221,288
Fund Balance - Beginning	<u>500,000</u>	<u>550,434</u>	<u>568,310</u>	<u>17,876</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 22,029</u>	<u>\$ 261,193</u>	<u>\$ 239,164</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balance - Regulatory Basis				
Other Adjustments to Cash (Uses) - Budgetary Balance			\$ (158,575)	
To adjust for Payroll Revolving Account			<u>6,437</u>	
Other Adjustments to Cash (Uses) - Regulatory Basis			<u>\$ (152,138)</u>	
Fund Balance - Ending - Budgetary Balance			\$ 261,193	
To adjust for Payroll Revolving Account			<u>6,437</u>	
Total Fund Balance - Ending - Regulatory Basis			<u>\$ 267,630</u>	

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu of Taxes	\$ 50,000	\$ 50,000	\$ 41,395	\$ (8,605)
Intergovernmental	1,080,849	1,514,383	1,540,512	26,129
Miscellaneous	101,000	602,931	621,147	18,216
Interest	600	600	663	63
Total Receipts	<u>1,232,449</u>	<u>2,167,914</u>	<u>2,203,717</u>	<u>35,803</u>
DISBURSEMENTS				
Roads	1,179,865	1,444,432	1,436,255	8,177
Debt Service	223,920	224,319	224,318	1
Capital Projects	50,000	72,090	72,090	0
Administration	223,379	965,093	172,020	793,073
Total Disbursements	<u>1,677,164</u>	<u>2,705,934</u>	<u>1,904,683</u>	<u>801,251</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(444,715)	(538,020)	299,034	837,054
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(105,285)</u>	<u>(105,285)</u>		<u>105,285</u>
Total Other Adjustments to Cash (Uses)	<u>(105,285)</u>	<u>(105,285)</u>		<u>105,285</u>
Net Change in Fund Balance	(550,000)	(643,305)	299,034	942,339
Fund Balance - Beginning	<u>550,000</u>	<u>643,305</u>	<u>643,306</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 942,340</u>	<u>\$ 942,340</u>
Reconciliation to Statement of Receipts, Disbursements, and Changes in Fund Balance - Regulatory Basis				
Disbursements - Road		\$ 1,436,255		
To adjust for Equipment Purchase		<u>258,928</u>		
Disbursements - Road		<u>\$ 1,695,183</u>		
Other Adjustments to Cash (Uses) - Regulatory Basis		\$		
To adjust for Equipment Purchase		<u>258,928</u>		
Other Adjustments to Cash (Uses) - Regulatory Basis		<u>\$ 258,928</u>		

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 84,409	\$ 101,857	\$ 85,388	\$ (16,469)
Miscellaneous			627	627
Interest	5	5	3	(2)
Total Receipts	<u>84,414</u>	<u>101,862</u>	<u>86,018</u>	<u>(15,844)</u>
DISBURSEMENTS				
Protection to Persons and Property	290,950	411,682	399,377	12,305
Administration	18,400	18,400	16,624	1,776
Total Disbursements	<u>309,350</u>	<u>430,082</u>	<u>416,001</u>	<u>14,081</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(224,936)	(328,220)	(329,983)	(1,763)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>222,936</u>	<u>304,470</u>	<u>332,800</u>	<u>28,330</u>
Total Other Adjustments to Cash (Uses)	<u>222,936</u>	<u>304,470</u>	<u>332,800</u>	<u>28,330</u>
Net Change in Fund Balance	(2,000)	(23,750)	2,817	26,567
Fund Balance - Beginning	<u>2,000</u>	<u>2,000</u>	<u>2,088</u>	<u>88</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (21,750)</u>	<u>\$ 4,905</u>	<u>\$ 26,655</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 267,627	\$ 47,627
Interest	50	50	78	28
Total Receipts	220,050	220,050	267,705	47,655
DISBURSEMENTS				
General Government	48,200	48,200	46,200	2,000
Protection to Persons and Property	3,200	3,200	470	2,730
General Health and Sanitation	27,500	27,500	15,775	11,725
Social Services	7,700	7,700	7,600	100
Recreation and Culture	18,500	18,500		18,500
Roads	78,614	78,614	26,645	51,969
Administration	13,400	13,400	11,656	1,744
Total Disbursements	197,114	197,114	108,346	88,768
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	22,936	22,936	159,359	136,423
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(122,936)	(131,090)	(173,950)	(42,860)
Total Other Adjustments to Cash (Uses)	(122,936)	(131,090)	(173,950)	(42,860)
Net Change in Fund Balance	(100,000)	(108,154)	(14,591)	93,563
Fund Balance - Beginning	100,000	131,090	131,090	0
Fund Balance - Ending	\$ 0	\$ 22,936	\$ 116,499	\$ 93,563

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

AREA DEVELOPMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,000	\$ 3,000	\$	\$ (3,000)
Interest	2	2	1	(1)
Total Receipts	3,002	3,002	1	(3,001)
DISBURSEMENTS				
Capital Outlay	4,102	4,102		4,102
Total Disbursements	4,102	4,102		4,102
Net Change in Fund Balance	(1,100)	(1,100)	1	1,101
Fund Balance - Beginning	1,100	1,100	3,451	2,351
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,452	\$ 3,452

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

FIRE PROTECTION FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Taxes	\$ 2,200	\$ 2,200	\$ 2,317	\$ 117
Total Receipts	<u>2,200</u>	<u>2,200</u>	<u>2,317</u>	<u>117</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>4,700</u>	<u>4,700</u>	<u>2,317</u>	<u>2,383</u>
Total Disbursements	<u>4,700</u>	<u>4,700</u>	<u>2,317</u>	<u>2,383</u>
Net Change in Fund Balance	(2,500)	(2,500)		2,500
Fund Balance - Beginning	<u>2,500</u>	<u>2,500</u>	<u>2,592</u>	<u>92</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,592</u>	<u>\$ 2,592</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 3,200	\$ (31,800)
Miscellaneous	15,000	16,153	21,762	5,609
Total Receipts	<u>50,000</u>	<u>51,153</u>	<u>24,962</u>	<u>(26,191)</u>
DISBURSEMENTS				
General Health and Sanitation	<u>85,000</u>	<u>86,153</u>	<u>11,397</u>	<u>74,756</u>
Total Disbursements	<u>85,000</u>	<u>86,153</u>	<u>11,397</u>	<u>74,756</u>
Net Change in Fund Balance	(35,000)	(35,000)	13,565	48,565
Fund Balance - Beginning	<u>35,000</u>	<u>35,000</u>	<u>41,912</u>	<u>6,912</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,477</u>	<u>\$ 55,477</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SEARCH AND RESCUE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,500	\$ 7,165	\$ 7,165	\$ 0
Interest	2	2	5	3
Total Receipts	1,502	7,167	7,170	3
DISBURSEMENTS				
Protection to Persons and Property	4,002	9,957	4,292	5,665
Total Disbursements	4,002	9,957	4,292	5,665
Net Change in Fund Balance	(2,500)	(2,790)	2,878	5,668
Fund Balance - Beginning	2,500	2,500	2,689	189
Fund Balance - Ending	\$ 0	\$ (290)	\$ 5,567	\$ 5,857

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 150,000	\$ 150,000	\$ 46,555	\$ (103,445)
Miscellaneous			47	47
Total Receipts	<u>150,000</u>	<u>150,000</u>	<u>46,602</u>	<u>(103,398)</u>
DISBURSEMENTS				
Capital Projects	150,000	161,307	83,610	77,697
Administration		47	47	0
Total Disbursements	<u>150,000</u>	<u>161,354</u>	<u>83,657</u>	<u>77,697</u>
Net Change in Fund Balance		(11,354)	(37,055)	(25,701)
Fund Balance - Beginning		<u>11,354</u>	<u>111,354</u>	<u>100,000</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,299</u>	<u>\$ 74,299</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SPECIAL PROJECTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500,000	\$ 650,000	\$ 323,367	\$ (326,633)
Miscellaneous		198,271	198,271	0
Interest	500	884	499	(385)
Total Receipts	500,500	849,155	522,137	(327,018)
DISBURSEMENTS				
Capital Projects	600,500	1,002,284	323,367	678,917
Total Disbursements	600,500	1,002,284	323,367	678,917
Net Change in Fund Balance	(100,000)	(153,129)	198,770	351,899
Fund Balance - Beginning	100,000	153,129	153,129	0
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 351,899</u>	<u>\$ 351,899</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 60,000	\$ 68,209	\$ 90,344	\$ 22,135
Miscellaneous			587	587
Interest	30	30	44	14
Total Receipts	<u>60,030</u>	<u>68,239</u>	<u>90,975</u>	<u>22,736</u>
DISBURSEMENTS				
Protection to Persons and Property	75,100	76,586	63,825	12,761
Administration	10,000	33,713	5,898	27,815
Total Disbursements	<u>85,100</u>	<u>110,299</u>	<u>69,723</u>	<u>40,576</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	(25,070)	(42,060)	21,252	63,312
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(275)	(275)
Total Other Adjustments to Cash (Uses)			<u>(275)</u>	<u>(275)</u>
Net Change in Fund Balance	(25,070)	(42,060)	20,977	63,037
Fund Balance - Beginning	<u>25,070</u>	<u>42,060</u>	<u>42,060</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 63,037</u>	<u>\$ 63,037</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ANIMAL SHELTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 11,000	\$ 11,000	\$	\$ (11,000)
Total Receipts	11,000	11,000		(11,000)
DISBURSEMENTS				
General Health and Sanitation	23,000	23,000	5,875	17,125
Total Disbursements	23,000	23,000	5,875	17,125
Net Change in Fund Balance	(12,000)	(12,000)	(5,875)	6,125
Fund Balance - Beginning	12,000	12,000	12,312	312
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,437	\$ 6,437

WOLFE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

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

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

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

**WOLFE COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015**

WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,451,546	\$ 32,400	\$	\$ 1,483,946
Construction In Progress	83,257		83,257	0
Buildings	12,557,081	83,257		12,640,338
Vehicles	1,098,554	145,443	33,550	1,210,447
Equipment	383,950	9,607		393,557
Infrastructure	3,500,944	732,362		4,233,306
Total Capital Assets	<u>\$ 19,075,332</u>	<u>\$ 1,003,069</u>	<u>\$ 116,807</u>	<u>\$ 19,961,594</u>

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

June 30, 2015

Note 1. Capital Assets

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

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

**INDEPENDENT AUDITORS' 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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The Honorable Dennis Brooks, Wolfe County Judge/Executive
Members of the Wolfe County Fiscal Court

Independent Auditors' 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*

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Wolfe County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise Wolfe County Fiscal Court's financial statement and have issued our report thereon dated August 17, 2016, wherein we disclaimed an opinion on the Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis. Because we were unable to place reliance on the accuracy, validity, and completeness on Wolfe County Fiscal Court's Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis and because audit risk is at an unacceptable level, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Statement of Receipts, Disbursements and Changes in Fund Balances – Regulatory Basis

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statement, we considered 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 Wolfe County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 comments and recommendations, 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 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 comments and recommendations as items 2015-001, 2015-002, 2015-003, 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008 to be material weaknesses.

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 deficiency described in the accompanying comments and recommendations as item 2015-009 to be a significant deficiency.

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

Compliance And Other Matters

In connection with our engagement to audit the financial statement of Wolfe County Fiscal Court, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2015-010, 2015-011, 2015-012, 2015-013, 2015-014, 2015-015, and 2015-016. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Wolfe County Judge/Executive's Responses to Findings

The Wolfe County Judge/Executive's responses to the findings identified in our engagement are described in the accompanying comments and recommendations. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the engagement to audit 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.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

August 17, 2016

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES

2015-001 The Fiscal Court Lacks Adequate Internal Controls Over Disbursements And Purchase Orders

Condition: During our audit, we tested twenty-five disbursements and noted the following:

- Three (3) instances in which there was no approval found in fiscal court minutes.
- Fourteen (14) instances in which purchase orders were not found in the County's purchase order file. Only six (6) of the disbursements tested had a Purchase Order found in the County's 2014-15 purchase order file.
- One (1) instance where credit card purchases for various items were recorded under one (1) account code and not individual account codes relevant to purchased services.
- The County's purchase order file does not record the amount of the purchase order nor an approval signature.
- Purchase orders are not pre-numbered.

Criteria: The following are guidelines as prescribed by the State Local Finance Officer in the County Budget Preparation and State Local Finance Officer Policy Manual concerning purchase orders:

1. Purchases shall not be made without approval by the judge/executive (or designee), and/or a department head.
2. Purchase requests shall indicate the proper appropriation account number to which the claim will be posted.
3. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.
4. Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the department head and the judge/executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.

Purchase orders should be attached to or indicated on the invoice. This indicates approval for the expenditures.

Effect: Disbursements may be paid without proper approval. Disbursements may be made without consideration of budget or cash availability.

Cause: Lack of adequate internal controls over disbursements and purchase orders.

Recommendation: We recommend the fiscal court determine appropriate internal controls to address the conditions identified in the condition section of this finding. The fiscal court may determine the controls listed above under the criteria section are adequate or may decide to implement other controls to eliminate such internal control weaknesses in the future.

County Judge/Executive's Response: The Fiscal Court has discussed the lack of adequate internal controls over disbursements and purchase orders and is looking in to better options to correct this problem.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-002 The Fiscal Court Should Ensure Their Electronic Data is Recoverable In The Event Of A System Failure (Continued)

Criteria: Data should be backed up on a regular basis and stored in a secure off-site location and regular tests should be conducted to make sure the data can be restored in the system. Preparation of backup data, preferably on a daily or at least weekly basis, provides reasonable assurance data could be recovered if necessary. By testing the data backups, the county increases the assurance that backup systems will work properly when needed.

Effect: Important financial data may be lost and may not be easily recreated.

Cause: Failure to implement offsite backup policy.

Recommendation: We recommend the fiscal court implement adequate off-site backup procedures to ensure the lost data could be recovered if necessary.

County Judge/Executive's Response: The payroll data and accounting software data is being back up on three different backup options and a copy of which is being kept off site and is being tested frequently to make sure the data is recoverable.

2015-003 The Fiscal Court Lacks Adequate Internal Controls Over Occupational Taxes

Condition: While conducting our audit, we requested tax returns for sixteen (16) businesses conducting operations in the County. All sixteen (16) businesses were selected haphazardly from the 2014-2015 local telephone directory.

- The occupational tax collector could not provide us with a return for nine (9) of the businesses selected. The Tax Administrator explained:
 - One (1) business was no longer operating.
 - One (1) business, where all staff paid contract labor.
 - One (1) business has no employees working in Wolfe County.
 - One (1) business had no employees working in Wolfe County until January, 2016.
 - Two (2) businesses where no explanation was given for not appearing on the tax administrator's spreadsheet or filing a return.
 - Three (3) businesses that are privately owned with no employees.
- The Administrator is maintaining a spreadsheet of businesses and recording whether they have submitted a return. We were only able to find seven (7) of the businesses we selected for testing on the copy of the spreadsheet provided.
 - Four (4) businesses filed timely.
 - Two (2) businesses filed after the due date.
 - Per the tax administrator, one (1) business did not have employees working in Wolfe County until January, 2016.

We were provided no evidence to substantiate the tax administrator's assertions, such as a questionnaire required by the tax ordinance. (See below.)

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-003 The Fiscal Court Lacks Adequate Internal Controls Over Occupational Taxes (Continued)

Criteria: The Wolfe County Occupational Tax Ordinance 05-11-01 in effect 11/22/2005 states in;

- Section 2. (1) “Every person or business entity engaged in any trade, occupation, or profession...shall be required to complete and execute the questionnaire prescribed by the Occupational Tax Office.”
- Section 3. (1) “ Every person or employer that is required to make a filing with the IRS or the Kentucky Revenue Cabinet shall be required to file and pay to the county an occupational license tax for the privilege of engaging in such activities within the county.”
- Section 5. (4) “Every employer who fails to withhold or pay to the county any sums required by this ordinance to be withheld and paid shall be personally and individually liable to the county for any sums withheld or required to be withheld...”
- Section 5. (10) “... Every employee receiving compensation in the county...shall be personally liable for any amount due. In all cases where the employer does not withhold the tax...employee or employees shall be responsible for filing with the county each quarter in the same manner as if they were the employer...” “Employers not required to withhold, report or pay the license fee must annually during the month of January each year, make a return to the Wolfe County Fiscal Court, in which is set forth the name and social security number of each employee of the employer during the preceding calendar year...”

The occupational tax collector should have internal controls in place that would detect if a business is paying occupational taxes on a timely basis, or if an existing business needs to be added to the tax system.

Effect: Potential loss or delay in the collection of occupational tax revenue.

Cause: The Fiscal Court lacks adequate controls over occupational tax collections.

Recommendation: We recommend that the occupational tax collector maintain a listing of all businesses in the County and check each business off as they pay their tax bill. If a business does not remit the occupational tax report timely, the tax collector should begin collection efforts and document such efforts. We further recommend that the occupational tax administrator review the current Occupational Tax Ordinance and ensure all employers and businesses are in compliance.

County Judge/Executive’s Response: Steps are being taken to correct this situation.

2015-004 The Fiscal Court Lacks Adequate Internal Controls And Segregation Of Duties Over Payroll

Condition: During our audit, we tested payroll of nineteen (19) employees for one (1) pay period and noted the following:

- We noted that there appeared to be no independent review of payroll by anyone other than the preparer.
- All payroll checks are signed by only one (1) individual, either the Judge Executive or the Treasurer but not both.
- We noted authorizations for deductions made from employees’ payroll checks were not maintained by the County.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-004 The Fiscal Court Lacks Adequate Internal Controls And Segregation Of Duties Over Payroll (Continued)

Condition (Continued)

- Two (2) instances where no timesheets are being provided by employees.
- One (1) instance where deferred compensation was deducted from gross wages prior to the calculation of FICA.
- We noted that pre-tax items paid by employees were deducted from salary prior to the calculation of FICA taxes paid by the employee during the first six (6) months of the fiscal year. We noted that pre-tax items paid by employees, including the employee's contribution for health insurance, were not deducted from salary prior to the calculation of FICA taxes paid by the employee during the last six (6) months of the fiscal year.
- Ten (10) instances where pay check deductions for insurance did not match the deduction amount listed on the invoices paid by the fiscal court.
- Four (4) instances where timesheets indicated vacation and sick hours had been taken. However, pay checks did not report these hours used independently of regular hours worked.
- Two (2) employees, listed on the health insurance invoices tested, showed a billing for an administration fee but no charge for health insurance.
- The incorrect rate for the employer CERS contributions was used on the pay checks tested in October 2014. The CERS Rate for non-hazardous employees in the 2014-15 fiscal year was 17.67 per cent while the rate used was 17.76 percent.
- Kentucky Emergency Management System (KYEMS) reimburses the county for fifty (50) percent of the EMS Director's salary. The claim form provided for the paycheck period tested showed an amount of \$242 claimed for the employer's contribution for retirement. However, the payroll report provided for the period showed retirement employer contributions of \$162 a difference of \$80.

Criteria:

- One (1) individual should not have control over preparation and reconciliation of payroll.
- No deductions should be made from employee payroll checks without written authorizations.
- Under The Fair Labor Standards Act, 29 CFR Part 16, all employees are required to keep timesheets. KRS 337.320 (1)(b) states "Every employer shall keep a record of the hours worked each day and each week by each employee.
- Per Publication 525, deferred compensation is an elective deferral and is included in wages subject to social security and Medicare taxes.
- Employee pay checks should indicate sick and vacation hours earned and used.
- Health Insurance invoices should be reviewed against payroll reports to ensure all employees had the proper deduction from paychecks and accurate payment of Health Insurance invoices.
- All other deductions from payroll should be checked to ensure the correct rates are utilized.
- Reimbursement claim forms to KYEMS should be independently verified prior to submitting claim.

Effect: Employee pay checks may not have the correct deductions withheld. Deductions from checks could also be made without the employees' authorizations. Federal requests for reimbursement for EMS Director salary may be overstated.

Cause: Lack of adequate internal controls and segregation of duties over payroll.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-004 The Fiscal Court Lacks Adequate Internal Controls And Segregation Of Duties Over Payroll (Continued)

Recommendation: We recommend the fiscal court have more than one employee reconcile each payroll to ensure the proper deductions and withholdings are being made. We further recommend the fiscal court put in place procedures to ensure all deductions have been verified as correct and not be made without signed authorization from the employee. We also recommend that each check issued from the payroll fund be signed by more than one (1) authorized employee. If only one person signs paychecks, it should be a person independent of all payroll preparation. All reimbursement requests to KYEMS should be reviewed by a person independent of the payroll process.

County Judge/Executive's Response: Our staff is very limited and steps are being taken to correct this situation to have better internal control over payroll. Time sheets are now required for every employee. Deferred compensation is deducted from gross wages after FICA calculations. Previous state auditors came in and pointed out that FICA was being calculated wrong. This was corrected at the beginning of the calendar year and only encompassed six months of our audit year. A discrepancy was made in what was withheld from the employee and what was paid to the insurance company. There actually wasn't a discrepancy, the county pays \$6.15 on a single policy and that's what made the amounts look off. Timesheets show a breakdown of hours worked and leave time but had not been shown on paychecks. This has been corrected. October 2014 retirement rate was transposed for that month. Also, EMA claim for reimbursement on retirement was more in September 2014 because we had three payrolls in September.

Auditors' Response: The EMA reimbursement claim form tested was for the period 10/1/14 – 10/31/14 and supporting documentation provided indicated that checks were issued in October 2014. Even when taking into account the \$6.15 allowance paid by the fiscal court for elective insurance coverages per month, the amounts deducted per paychecks tested did not agree to the insurance invoice amounts charged.

2015-005 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes

Condition: The ambulance service operating and located in Wolfe County does not remit occupational tax on behalf of the employees that work in Wolfe County.

Criteria: According to the Occupational Tax Ordinance, all persons engaged in trade, occupation or profession within Wolfe County, employed by another, shall pay a license fee measured by one and one fourth percent (1 ¼%) of gross receipts paid for such service. The ordinance goes on to state that it does not matter if the employee is a resident of Wolfe County or not.

Effect: By allowing the ambulance service to not pay local taxes, the county did not receive funds they are entitled to.

Cause: Failure to correct prior year findings.

Recommendation: We recommend the county direct the occupational tax administrator to contact the ambulance service and instruct them to withhold and pay the appropriate occupation tax to the county. If this fails, we recommend the matter be turned over to the County Attorney.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-005 Wolfe County Fiscal Court Should Require The Ambulance Service To Pay Occupational Taxes (Continued)

County Judge/Executive's Response: The ambulance service pays occupational taxes now.

2015-006 The Payroll Revolving Account Was Not Reconciled Properly

Condition: The payroll revolving account was reconciled on a monthly basis. The payroll revolving account reconciliation resulted in \$26,304 remaining in the payroll revolving account at 6/30/2015 after liabilities and receivables are considered. It appears that \$17,867 of this balance is a result of an overage from prior year that was not transferred to the general fund in the prior year as recommended by the prior year auditors'. When taking this into account and a \$2,000 balance that remained in the payroll account after this recommended transfer, the payroll account is still overfunded by \$6,437.

Per testing of the final pay period of the fiscal year we noted the transfer to fund the pay period ending June 20, 2015 payroll and related expenses appears to have been short \$718. The shortage was the result of the following:

- The Sheriff's expense allowance retirement match was not part of the transfer calculation resulting in a shortfall of \$53.
- The County's retirement match was calculated using gross wages that were \$3,089 less than gross wages subject to retirement per the June 2015 retirement report submitted to Kentucky Retirement resulting in an estimated shortfall of approximately \$546.
- One individual was included on the retirement report submitted to Kentucky Retirement, however, they were not listed on the payroll summary for the pay period tested.
- Per the payroll summary for the pay period, an employee was not having retirement withholding withheld from his paycheck; however, an employee contribution was being remitted on his behalf.
- The amount calculated to be transferred for the Health insurance match was \$34 short of the amount required to pay the invoice.
- Three employees were having Liberty National Insurance payments made on their behalf, however, no amounts were being withheld from the employees' accounts for these amounts. One employee's withholding was less than the amount remitted to the insurance company. This resulted in a shortfall of \$77.
- Three employees were having the incorrect amount withheld from their paychecks for AFLAC coverage resulting in a net shortfall of \$8.

Criteria: A revolving account is a clearing account where all funds deposited are paid out and the balance can be reconciled to zero at any given time.

Effect: Transfers to the payroll account do not appear to equal amounts necessary to pay payroll and related expenses.

Cause: Lack of internal control over the payroll revolving fund.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-006 The Payroll Revolving Account Was Not Reconciled Properly (Continued)

Recommendation: We recommend that the payroll revolving account be reconciled to zero on a monthly basis in order to resolve any discrepancies, errors, or omissions that may arise. The county has decided to maintain a balance of \$2,000 in their payroll account and plan to reconcile to this balance for future months. Further, we recommend that the fiscal court have an individual independent of payroll preparation review each payroll transfer calculation for the fiscal year to determine what caused the \$6,437 excess funds remaining in the payroll revolving fund at June 30, 2015 and review all future transfer calculations.

County Judge/Executive's Response: The payroll account will now be reconciled with a balance of \$2,000.00 at the end of each month. Also, County retirement match amount was figured on federal gross wages and not on FICA wages. Any additional discrepancies that were found have been identified and corrected.

2015-007 The County Lacks Adequate Control Over The Lease Agreement With Their Ambulance Service

Condition: During the course of our audit we noted the following:

- Eleven (11) ambulances are listed on the current insurance policy. However, only six (6) are on the depreciation schedule.
- We could find no payments by the county for the purchase of four (4) ambulances in the current year.
- Per the Ambulance Lease Agreement, Arrow-Med is given use of the ambulances owned by the county provided they are used solely in Wolfe County. We noted documentation provided by the county that ambulances now owned 50% by the county are being used in other counties.
- We found no reimbursement by Arrow-Med for any costs.

Criteria: The County should follow KRS 67.082 for the disposition of property.

The county should not pay 100% of costs for vehicles owned jointly and not used in the county.

Effect: The County may not be in compliance with KRS 67.082 for disposition of county property. County funds are potentially being used to subsidize a private company.

Cause: Lack of knowledge of Kentucky Revised Statutes with regards to disposition of county property and agreement with private persons, partnerships, or corporations for the provision of an ambulance service for the county.

Recommendation: We recommend the County review their agreement with the contracted ambulance service and follow the guidelines of KRS 65.710 and also review the decision to share ownership of ambulance vehicles with their contracted ambulance service.

County Judge/Executive's Response: A new lease is being drawn up.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

MATERIAL WEAKNESSES (Continued)

2015-008 The County Lacks Adequate Control Over Their Agreement With JSW Farm, LLC (The Chop Shop)

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

The Fiscal Court did not request The Chop Shop payroll information for the 2015 calendar year until auditors requested this information in June, 2016. The information provided to the auditors was not sufficient to determine if The Chop Shop is in compliance with the agreement.

The Fiscal Court has not determined if The Chop Shop has created and maintained the required employment levels.

Criteria: The Fiscal Court should be requesting payroll information at least annually to determine compliance with the agreement.

Effect: The Fiscal Court is not monitoring the compliance of The Chop Shop with the terms of the signed agreement and may be owed principal and interest.

Cause: Lack of internal controls over the terms of the loan agreement with JSW Farm, LLC

Recommendation: We recommend the County review their agreement with JSW Farm, LLC DBA The Chop Shop and put in place a process to ensure compliance with the terms of the agreement. We further recommend the Fiscal Court determine if The Chop Shop is in compliance for 2014 & 2015 and if principal and interest is owed to the Fiscal Court.

County Judge/Executive's Response: The situation is being looked in to.

SIGNIFICANT DEFICIENCY

2015-009 The County Should Determine If Part-Time Employees Are Eligible For County Retirement

Condition: During testing, we found that two (2) employees averaging in excess of 100 hours per month in the 2014 calendar year did not participate in retirement.

Criteria: KRS 78.510(21) states "Regular full-time positions"... shall mean all positions that average one hundred (100) or more hours per month, determined by using the number of hours actually worked in a calendar year or fiscal year..."

Effect: Employees averaging more than 100 hours worked in a month not participating in CERS.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

SIGNIFICANT DEFICIENCY (Continued)

2015-009 The County Should Determine If Part-Time Employees Are Eligible For County Retirement (Continued)

Cause: Lack of adequate controls over payroll procedures and lack of oversight over payroll, timesheets, and failure to follow established procedures.

Recommendation: We recommend the fiscal court reevaluate their controls over payroll to determine the controls that would best address the findings listed under the condition section above. The fiscal court may determine the controls listed above under the criteria section are adequate or may decide to implement other controls to eliminate such internal control weaknesses in the future.

County Judge/Executive's Response: The County has a hard time keeping part-time and fill-in employees. We are in the process of keeping those part-time employees under the 100 hours per month mark or have them participate in the retirement system.

NONCOMPLIANCES

2015-010 The Fiscal Court Should Cease The Practice Of Selling Gravel To Individuals

Prior Year Audit Findings Related To FYE June 30, 2015:

Based on the uniform system of accounts, all funds collected should be deposited and posted to the ledgers and all county expenditures should be paid by check and posted to the ledgers. By paying cash for county expenditures, the county's internal controls system was overridden. In addition, the fiscal court did not approve these expenditures and the treasurer was not given the collections therefore, the receipt and disbursement of these funds were not accounted for and included in the county ledgers and financial reports.

The county had obtained a bid from the gravel quarry indicating #57 gravel would be purchased at the bid prices of \$10.20 per ton. Since the county paid with cash, the gravel quarry would not allow the county pay at the reduced price. The gravel was purchased at \$11.25 per ton for 49 ton. The county overpaid a total of \$51 for the gravel purchased with cash.

After auditors found missing funds from gravel sales, the treasurer was given collections from gravel sales and the some of the corresponding receipts. On January 20, 2015, the treasurer deposited a total of \$2,734, including all cash except one personal check for \$52 but only had receipts of \$2,475. It appears that two checks were cashed at some point during fiscal year 2015. Furthermore, based on information gathered, the county deposited funds of \$155 in excess of the amount of receipts we obtained of \$3,185 less the cash expenditures of \$605 totaling \$2,580 than they had deposited of \$2,735. Since an individual would not pay county expenditures with their personal funds, this indicates that the 19 missing invoices were used for gravel sales and it is likely that there was additional county funds that should be turned over to the treasurer for deposit.

Current Audit Findings:

Condition: During our audit, we requested receipt books from the road foreman. The receipt books we received began with #709901 on 11/5/2015, subsequent to the fiscal year June 30, 2015. The treasurer informed us that she had copies of receipts from 12/4/2014 through 11/4/2015 in her daily deposit work and could copy those receipts for us.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

NONCOMPLIANCES (Continued)

2015-010 The Fiscal Court Should Cease The Practice Of Selling Gravel To Individuals (Continued)

Condition (Continued):

We received and recapped these receipts and noted the following:

- Receipt numbers 417548 and 417558 were missing.
- Triplicate receipts do not appear to be used through 11/5/2015.
- The amount deposited for gravel receipts from December 7, 2014 through June 30, 2015 per the general ledger were \$1,215 more than the amount of the receipts recapped for the same period.

We also scanned the subsequent receipt books, we noted the following:

- Receipt book # 1 began with receipt #709901 on 11/5/2015 and ended 3/31/2016
- Receipt book # 2 began with receipt #917801 on 4/1/2016
- Receipt #s 917822-917824 were voided with no markings of any other kind on the receipt. All copies of the voided receipt remained in the receipt book.
- Receipts #709903, 7099290 were missing a signature.
- Receipts # 709913, 709928 and 709936 did not indicate tonnage sold.

Per review of the June 30, 2016 fiscal year gravel bid, it appears that the county pays \$10.45/ton for #57s. The road foreman appears to be charging \$13.00/ton for #57s. This is \$2.55 more than the cost of the gravel; however, we had no documentation as to whether or not the additional \$2.55 per ton would cover the cost of the trucks used for hauling, fuel bills and payroll for truck drivers.

Criteria: Based on the uniform system of accounts, all funds collected should be deposited and posted to the ledgers and all county expenditures should be paid by check and posted to the ledgers. By paying cash for county expenditures, the county's internal control system was overridden. In addition, the fiscal court did not approve these expenditures and the treasurer was not given the collections therefore, the receipt and disbursement of these funds were not accounted for and included in the county ledgers and financial reports.

Per KRS 64.840 (1) and (2), Except for taxes collected on behalf of the state for which standard receipt forms had been supplied by the state prior to 1974, all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt.

One (1) copy of the receipt shall be given to the person paying the fine forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit.

When beginning a new receipt book for gravel receipts, the person preparing the receipt should ensure that the receipt number in the new book is in sequential order from the previous book.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

NONCOMPLIANCES (Continued)

2015-010 The Fiscal Court Should Cease The Practice Of Selling Gravel To Individuals (Continued)

Criteria (Continued): The fiscal court should recoup all costs associated with gravel sales. Gravel purchases should only be used for the maintenance of the county road system.

Effect: By not implementing adequate internal controls over gravel sales, an increased risk of fraud and misuse of county purchased gravel exists.

Cause: Failure to comply with the uniform system of accounts set forth in Department for Local Government's Budget and Policy Manual and Kentucky Revised Statutes.

Recommendation: We recommend the fiscal court ensure all county assets are used for the intended purpose of maintaining the county road system. Furthermore, the county should maintain proper records and issue triplicate receipts in sequence. All funds should be given to the treasurer to record and deposit. The county should not pay for any county expenditures with cash and comply with the uniform system of accounts. We recommend the county cease the practice of selling the county's gravel surplus and only use county funds for the maintenance of county property. Furthermore, any remaining funds received from the sale of gravel should be immediately turned over the treasurer and deposited into the county's bank accounts. We will refer this to the Attorney General and Kentucky State Police.

County Judge/Executive's Response: The sale of gravel to individuals is only being done to try and help the people of the county.

2015-011 Wolfe County Fiscal Court Should Adopt A Written Investment Policy

Condition: The fiscal court has not adopted a written investment policy to govern the investment of public funds.

Criteria: KRS 66.480(3) requires fiscal courts to have adopted, by January 1, 1995, a written investment policy.

Effect: It is important to adopt a written investment policy to assure the safety and security of public funds. KRS 66.480(3) lists specific information that the written investment policy should include.

Cause: Failure to address previous year audit finding.

We recommend the fiscal court adopt a written investment policy per KRS 66.480(3). If needed, the fiscal court should request the County Attorney assist in developing a written investment policy.

County Judge/Executive's Response: The state investment policy has been implemented.

2015-012 The County Should Fix The Compensation Of Every County Officer And Employee

Condition: The County did not approve and set the salaries for the County employees for fiscal year ended June 30, 2015.

Criteria: KRS 64.530 states the Fiscal Court of each county shall fix the compensation of every County officer and employee. No salary increases should be allowed that are not included in a salary schedule approved by the county.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

NONCOMPLIANCES (Continued)

2015-012 The County Should Fix The Compensation Of Every County Officer And Employee (Continued)

Effect: Salary increases may have been allowed without approval of the fiscal court.

Cause: Failure to comply with KRS 64.530.

Recommendation: We recommend the County list all employees and each salary or hourly pay rate. The County should also include the starting pay rates for entry-level positions. The County should revise this list as increases are approved by the Fiscal Court. The salary schedule should be approved by the fiscal court and included in the official minutes.

County Judge/Executive's Response: The compensation rates for every employee have been fixed.

2015-013 The County's Lease Agreement With Arrow-Med Ambulance Does Not Comply With KRS 65.710

Condition: In June, 2015 the County signed a lease agreement with Arrow-Med Ambulance for the consideration of \$1 and in further consideration of the service and benefits that an ambulance service provides for the people of Wolfe County. The agreement indicates Arrow-Med will be granted "...full use of the ambulances (and equipment in those ambulances) which are currently 100% owned by the County of Wolfe so long as those ambulances are only used to provide services to emergencies or runs that originate in the boundaries of Wolfe County..."

The agreement did not include requirements of KRS 65.710 (2)(3)(4).

Criteria: KRS 65.710 (2) states "No contract shall be made with an ambulance service...unless the contract shall stipulate that at least one (1) person on each ambulance run shall possess currently valid emergency medical technician certification."

KRS 65.710 (3) states "All contracts made with an ambulance service...shall stipulate that all vehicles used for operation of the service comply with vehicle and equipment administrative regulations issued by the Cabinet for Health and Family Services."

KRS 65.710 (4) states "All contracts shall include the stipulation that at least two (2) trained persons, one (1) driver and one (1) attendant, shall be carried on each ambulance for each ambulance call which is covered by the contract."

Effect: The lease agreement does not comply with KRS 65.710.

Cause: Lack of knowledge of Kentucky Revised Statues.

Recommendation: We recommend the County consult with the County Attorney and draft a new lease agreement that includes the provisions of KRS 65.710.

County Judge/Executive's Response: This situation is being looking in to.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

NONCOMPLIANCES (Continued)

2015-014 The County Did Not Comply With KRS 68.310 Limits Of Expenditures In First Half Of Fourth Year.

Condition: The 2014-15 fiscal year is the fourth year of the fiscal court's term and therefore the 65%-35% term ending restriction on spending is in effect. At December 31st 2014, two (2) funds had expenditures in excess of 65% of budgeted funds. The Jail Fund was seventy three percent (73%) spent or \$28,058 overspent. The Cemetery Fund was ninety nine percent (99%) expended. The budgeted amount for the Cemetery Fund was \$51 and at December 31, 2014 \$51 had been expended.

Criteria: Pursuant to KRS 68.310, counties are restricted in the fourth year of a term in the amount they are allowed to expend. Simply stated, no County can encumber or expend more than 65% of each individual fund in the budget excluding debt service payments, grant expenditures, and capital projects funded with debt issuance above 65% in the road fund are allowable as long as it is offset by a dollar for dollar savings in the general fund.

Effect: The Fiscal Court in the fourth year of its term may not be in compliance with the requirements of KRS 68.310.

Cause: Lack of knowledge of Kentucky Revised Statutes.

Recommendation: We recommend the County be aware of the expenditure restrictions in the 4th year of its term as detailed in KRS 68.310.

County Judge/Executive's Response: Our Jail fund expenses make it fairly impossible for us to comply with KRS 68.310 in the first half of the fourth year.

2015-015 The County Expended Coal Severance Receipts On Something Other Than Transportation Categories

Condition: During our audit we noted the County did not expend all coal severance funds received in the 2014-15 Fiscal Year. Wolfe County, per the coal haul map, is a coal impact county. The County received \$171,612 of coal severance funds in the 2014-15 fiscal year. The County spent \$26,645 in the 2014-15 fiscal year, leaving a balance of \$144,967. The LGEA fund balance at June 30, 2015 was \$116,499, a difference of \$28,468. This appears to have been spent on something other than coal haul roads.

Criteria: KRS 42.455(2)(3)(4) specifically prohibits the expenditure of LGEA funds for the administration of government and states "Coal impact counties must expend one hundred percent (100%) of funds in the transportation category."

Effect: Coal severance monies were not one hundred percent (100%) spent on coal haul roads.

Cause: Lack of compliance with Kentucky Revised Statutes.

Recommendation: We recommend the County only expend coal severance receipts on transportation categories.

County Judge/Executive's Response: We did not realize that our county had switched from coal producing to coal impact. The County will keep a closer watch for this transition.

**WOLFE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2015

NONCOMPLIANCES (Continued)

2015-016 The County Should Have A Corrective Action Plan To Address Prior Year Invoices Provided That Did Not Substantiate Ambulance Reimbursements

Prior year Audit finding #2014-005:

Condition: In fiscal year 2013, the county provided auditors with two (2) invoices totaling \$26,950 for ambulances purchased by their new ambulance service. The county reimbursed the new ambulance service \$22,105 for the purchase from the KBEMS grant funds. The invoices provided listed the make, model, vehicle identification number (VIN) of the ambulances the ambulance service was requesting reimbursement for. Auditors testing of the VIN of the vehicles listed revealed they could not be located in the county clerk's registration system, AVIS, which registers and tracks all vehicles registered in Kentucky. The county provides insurance on the ambulances, however, these ambulances could not be found on the insurance list. Also, the ambulances noted on the invoice would not have been allowable expenditures of the grant funds because they were older than three (3) model years based on the KBEMS regulations and 202 KAR 7:250.

Criteria: Reimbursement for ambulances was not allowable per KBEMS regulations and KAR 7:250.

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

Cause: Lack of knowledge of KBEMS regulations and KAR 7:250. Failure to correct prior year finding.

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

County Judge/Executive's Response: The situation with the invoices from the ambulance service is being worked on.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

WOLFE COUNTY

**For The Fiscal Year Ended
June 30, 2015**

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

For The Fiscal Year Ended June 30, 2015

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



Dennis Brooks
County Judge/Executive



Rebecca Long
County Treasurer