

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

**For The Year Ended  
June 30, 2021**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS**  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Raymond Banks, Wolfe County Judge/Executive  
Members of the Wolfe County Fiscal Court

The enclosed report prepared by Patrick & Associates, LLC, presents the financial statement of Wolfe County, Kentucky, for the year ended June 30, 2021.

We engaged Patrick & Associates, LLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Patrick & Associates, LLC evaluated the Wolfe County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon  
Auditor of Public Accounts

Enclosure



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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

To the People of Kentucky  
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## Independent Auditor's Report

### **Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Wolfe County Fiscal Court's financial statement as listed in the table of contents.

### **Management's Responsibility for the Financial 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

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

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

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Wolfe County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Wolfe County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Wolfe County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.



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**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, on our consideration of the Wolfe County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wolfe County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Wolfe County Fiscal Court Did Not Record Long-Term Liabilities On The Quarterly Report
- 2021-002 The Wolfe County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund
- 2021-003 The Wolfe County Fiscal Court's Purchase Order System Did Not Operate Correctly
- 2021-004 The Wolfe County Fiscal Court Lacks Adequate Controls Over Their Bid Process
- 2021-005 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Payroll Tax Collections
- 2021-006 The Wolfe County Fiscal Court Schedule Of Expenditures Of Federal Awards Was Not Accurate
- 2021-007 The Wolfe County Fiscal Court Did Not Prepare Purchase Orders For Federal Expenditures

Respectfully submitted,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

August 12, 2022

**WOLFE COUNTY OFFICIALS**

**For The Year Ended June 30, 2021**

**Fiscal Court Members:**

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

**Other Elected Officials:**

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

**Appointed Personnel:**

Porter Harris	County Treasurer
Kelli Ratliff Evans	Chief Financial Officer

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 886,122	\$	\$	\$
In Lieu Tax Payments	32,733	28,046		
Excess Fees	28,252			
Licenses and Permits	446			
Intergovernmental	1,511,004	1,825,156	77,302	27,934
Charges for Services	3,850			
Miscellaneous	218,073	293,330	39,617	
Interest				
Total Receipts	<u>2,680,480</u>	<u>2,146,532</u>	<u>116,919</u>	<u>27,934</u>
<b>DISBURSEMENTS</b>				
General Government	1,285,103		4,949	11,200
Protection to Persons and Property	31,385		278,924	
General Health and Sanitation	25,137			32,764
Social Services	3,954			
Recreation and Culture	189			
Roads		1,732,802		
Debt Service		241,088		
Capital Projects				
Administration	446,614	236,576	23,349	22,480
Total Disbursements	<u>1,792,382</u>	<u>2,210,466</u>	<u>307,222</u>	<u>66,444</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>888,098</u>	<u>(63,934)</u>	<u>(190,303)</u>	<u>(38,510)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	194,435	166,050	192,373	
Transfers To Other Funds	(1,061,940)	(193,500)		
Total Other Adjustments to Cash (Uses)	<u>(867,505)</u>	<u>(27,450)</u>	<u>192,373</u>	
Net Change in Fund Balance	20,593	(91,384)	2,070	(38,510)
Fund Balance - Beginning (Restated)	209,335	121,806	347	53,144
Fund Balance - Ending	<u>\$ 229,928</u>	<u>\$ 30,422</u>	<u>\$ 2,417</u>	<u>\$ 14,634</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 230,841	\$ 31,851	\$ 2,417	\$ 14,634
Less: Outstanding Checks	(913)	(1,429)		
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 229,928</u>	<u>\$ 30,422</u>	<u>\$ 2,417</u>	<u>\$ 14,634</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, 2021**  
**(Continued)**

<b>Budgeted Funds</b>						
<b>Fire Protection Fund</b>	<b>Solid Waste Fund</b>	<b>Local Government Economic Development Fund</b>	<b>E-911 Fund</b>	<b>Special Projects Fund</b>	<b>United Against Drugs Fund</b>	<b>Revolving Grant Fund</b>
\$ 2,307	\$	\$	\$	\$	\$	\$
	1,475					
	167,489	53,856	137,225	460,746	108,400	
	117,624					
	185,785		42,917		1,728	
				59		
<u>2,307</u>	<u>472,373</u>	<u>53,856</u>	<u>180,142</u>	<u>460,805</u>	<u>110,128</u>	
2,317			138,789			
	224,335				101,082	
	167,270					
		53,856		586,656		
	28,255		17,405		12,158	
<u>2,317</u>	<u>419,860</u>	<u>53,856</u>	<u>156,194</u>	<u>586,656</u>	<u>113,240</u>	
(10)	52,513		23,948	(125,851)	(3,112)	
	7,500				935	
					(935)	
	<u>7,500</u>					
(10)	60,013		23,948	(125,851)	(3,112)	
<u>2,383</u>	<u>173,668</u>		<u>182,222</u>	<u>228,214</u>	<u>6,644</u>	
<u>\$ 2,373</u>	<u>\$ 233,681</u>	<u>\$ 0</u>	<u>\$ 206,170</u>	<u>\$ 102,363</u>	<u>\$ 3,532</u>	<u>\$ 0</u>
\$ 2,373	\$ 393,306	\$	\$ 206,170	\$ 17	\$ 3,532	\$
	(159,625)					
				102,346		
<u>\$ 2,373</u>	<u>\$ 233,681</u>	<u>\$ 0</u>	<u>\$ 206,170</u>	<u>\$ 102,363</u>	<u>\$ 3,532</u>	<u>\$ 0</u>

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

**WOLFE COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<u>Unbudgeted Funds</u>		
	<u>American Rescue Plan Act Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>			
Taxes	\$	\$	\$ 888,429
In Lieu Tax Payments			60,779
Excess Fees			28,252
Licenses and Permits			1,921
Intergovernmental		567,626	4,936,738
Charges for Services			121,474
Miscellaneous			781,450
Interest		22	81
Total Receipts		<u>567,648</u>	<u>6,819,124</u>
<b>DISBURSEMENTS</b>			
General Government			1,301,252
Protection to Persons and Property			451,415
General Health and Sanitation			282,236
Social Services			105,036
Recreation and Culture			189
Roads			1,732,802
Debt Service		567,626	975,984
Capital Projects			640,512
Administration		1,540	788,377
Total Disbursements		<u>569,166</u>	<u>6,277,803</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(1,518)</u>	<u>541,321</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	695,082		1,256,375
Transfers To Other Funds			<u>(1,256,375)</u>
Total Other Adjustments to Cash (Uses)	<u>695,082</u>		
Net Change in Fund Balance	695,082	(1,518)	541,321
Fund Balance - Beginning (Restated)		<u>200,811</u>	<u>1,178,574</u>
Fund Balance - Ending	<u>\$ 695,082</u>	<u>\$ 199,293</u>	<u>\$ 1,719,895</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 695,082	\$ 199,293	\$ 1,779,516
Less: Outstanding Checks			(161,967)
Certificates of Deposit			<u>102,346</u>
Fund Balance - Ending	<u>\$ 695,082</u>	<u>\$ 199,293</u>	<u>\$ 1,719,895</u>

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

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TO THE FINANCIAL STATEMENT**

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**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2021**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, 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.



**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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.

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

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

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

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

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

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

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

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted funds:

American Rescue Plan Act Fund - The primary purpose of this fund is to account for grant funds received and disbursed under the American Rescue Plan Act (ARPA).

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

**D. Budgetary Information**

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

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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

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

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Wolfe County Elected Officials**

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

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

**F. Deposits and Investments**

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

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

**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.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Related Obligations and Joint Ventures**

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

Three Forks Regional Jail

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

Under the terms of the financing agreements, repayment schedules are established to enable the issuer to meet the principal and interest requirements of the related bonds. No participant is, however, responsible for the failure of any other participant to pay its obligations under a financing agreement. Each participating county covenants to meet its proportionate share of the debt service requirements on the bonds as follows: 40% for Lee County, 22% for Owsley County and 38% for Wolfe County. The principal amount outstanding at June 30, 2021 attributable to Wolfe County is \$1,080,594.

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

The Three Forks Regional Jail Authority is comprised of eight members. 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. KRS 441.810 sets the standard for the membership composition of a regional jail authority.

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

Wolfe-Morgan Multi-County Industrial Development Authority

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

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 2. Deposits**

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the 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 the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Road Fund	United Against Drugs Fund	Total Transfers In
General Fund	\$	\$ 193,500	\$ 935	\$ 194,435
Road Fund	166,050			166,050
Jail Fund	192,373			192,373
Solid Waste Fund	7,500			7,500
United Against Drugs Fund	935			935
American Rescue Plan Act Fund	695,082			695,082
Total Transfers Out	<u>\$ 1,061,940</u>	<u>\$ 193,500</u>	<u>\$ 935</u>	<u>\$ 1,256,375</u>

Reason for transfers:

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

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Blacktop**

On October 9, 2013, the Wolfe County Fiscal Court entered into a \$1,000,000 direct borrowing agreement with the Kentucky Association of Counties Leasing Trust to blacktop county roads. The lease agreement requires monthly payments, at an interest rate of 3.84% per annum, with a final payment due on January 20, 2029. In the event of default, a direct tax shall be levied annually in an amount sufficient to pay the financing obligation lease payments when and as due. As of June 30, 2021, the principal outstanding is \$582,917. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 67,083	\$ 25,325
2023	70,000	22,921
2024	72,084	20,277
2025	75,000	17,346
2026	77,083	14,083
2027-2029	<u>221,667</u>	<u>20,196</u>
Totals	<u>\$ 582,917</u>	<u>\$ 120,148</u>

**B. Other Debt**

**1. Public Properties Corporation Revenue Bonds – Judicial Center**

On March 18, 2010, the Wolfe County Public Properties Corporation issued \$10,930,000 in First Mortgage Revenue Bonds, Series 2010 for the construction of the Wolfe County Judicial Center. The First Mortgage Refunding Revenue Bonds, Series 2016 advance refund certain maturities of the Series 2010 bonds. The Wolfe County Fiscal Court entered into a lease Agreement with the Administrative Office of the Courts (AOC) which is expected to meet the full debt service requirements, payable directly to the bond trustee. The lease does not require the county to make any debt payments, however, the county is obligated to provide for the operation, maintenance, insurance and repair of the judicial center. Semi-annual interest payments are required on April 1 and October 1 of each year, with annual principal payments on April 1, and a final maturity date of April 1, 2022. As of June 30, 2021, the principal outstanding is \$545,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 545,000	\$ 19,075
Totals	<u>\$ 545,000</u>	<u>\$ 19,075</u>

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. Other Debt (Continued)**

**2. Public Properties Corporation Refunding Revenue Bonds – Judicial Center**

On August 24, 2016, the Wolfe County Public Properties Corporation issued \$5,650,000 in First Mortgage Refunding Revenue Bonds, Series 2016. The proceeds advance refund on April 1, 2020, the Series 2010 bonds maturing on 2023 and thereafter. Sufficient funds have been deposited in an irrevocable escrow account to pay the interest on the bonds and pay the principal on the bonds at the redemption date. AOC provides funding, payable directly to the bond trustee, to meet the debt service requirements. The land and building have been secured as collateral for the bonds. In the event of default, the bond trustee can initiate foreclosure on the mortgage lien. Semi-annual interest payments are required on April 1 and October 1 of each year, beginning October 1, 2016. Annual principal payments begin on April 1, 2022, with a final maturity date of April 1, 2030. As of June 30, 2021, the principal outstanding is \$5,650,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 50,000	\$ 188,400
2023	615,000	186,900
2024	640,000	162,300
2025	665,000	136,700
2026	690,000	110,100
2027-2030	<u>2,990,000</u>	<u>220,050</u>
Totals	<u>\$ 5,650,000</u>	<u>\$ 1,004,450</u>

**C. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 951,175	\$	\$ 368,258	\$ 582,917	\$ 67,083
Other Debt	<u>6,725,000</u>		<u>530,000</u>	<u>6,195,000</u>	<u>595,000</u>
Total Long-term Debt	<u>\$ 7,676,175</u>	<u>\$ 0</u>	<u>\$ 898,258</u>	<u>\$ 6,777,917</u>	<u>\$ 662,083</u>

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

The amounts of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ending June 30	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Scheduled Interest	Principal	Scheduled Interest
2022	\$ 67,083	\$ 25,325	\$ 595,000	\$ 207,475
2023	70,000	22,921	615,000	186,900
2024	72,084	20,277	640,000	162,300
2025	75,000	17,346	665,000	136,700
2026	77,083	14,083	690,000	110,100
2027-2030	221,667	20,196	2,990,000	220,050
Totals	\$ 582,917	\$ 120,148	\$ 6,195,000	\$ 1,023,525

**Note 5. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and KRS. The nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2019 was \$246,554, FY 2020 was \$275,918, and FY 2021 was \$291,690.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the KRS insurance fund.

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

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.



**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

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

**Note 6. Deferred Compensation**

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

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2<sup>nd</sup> Floor, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**WOLFE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2021**  
**(Continued)**

**Note 7. Insurance**

For the fiscal year ended June 30, 2021, the Wolfe County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Note Receivable – The Chop Shop**

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

**Note 9. Lease and Sublease**

On December 9, 2014, the Wolfe County Fiscal Court (Lessor) entered into an agreement to lease property located at 166 Wolfe County Elementary School Road, considered surplus to the needs of the fiscal court, to the Wolfe County High School, LLLP (Lessee) for the purpose of creating affordable housing for senior citizens, including a community center within the project. Wolfe County High School, LLLP will lease the property for one dollar per year for a term of 50 years. The Lessee has agreed that any and all improvements made to the leased premises shall become the property of the county upon expiration, cancellation and/or termination of this Lease Agreement, or upon notice thereof. Also, on December 9, 2014, the Wolfe County Fiscal Court (Lessee) entered into an agreement to sublease the community center from the Wolfe County High School, LLLP (Lessor) for a base rate of one dollar per year for 20 years. The fiscal court will be responsible for all community center utility expenses which are metered separately from the housing property and prorated amounts for other expenses.

**Note 10. Interfund Liabilities and Receivables**

The jail fund had a deficit balance at June 30, 2021, which was caused by an interfund payable. The Wolfe County Fiscal Court had prior year interfund payables that have not been resolved. The table below reflects fund balances after accounting for the receivables and payables that are not included on the financial statement prepared in accordance with the regulatory basis of accounting:

Effect On Fund Balances	General	Road	Jail	LGEA
Fund Balance	\$ 229,928	\$ 30,422	\$ 2,417	\$ 14,634
Interfund Receivable		87,404		116,717
Interfund Payable	(87,404)		(116,717)	
Fund Balance	\$ 142,524	\$ 117,826	\$ (114,300)	\$ 131,351

**Note 11. Prior Period Adjustments**

The road fund beginning balance was increased by \$715 to account for prior year voided checks. The beginning balance of the public properties corporation fund was decreased by \$1,309 to correct a prior year misstatement.

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 808,100	\$ 866,738	\$ 886,122	\$ 19,384
In Lieu Tax Payments			32,733	32,733
Excess Fees	32,000	32,000	28,252	(3,748)
Licenses and Permits	1,300	1,300	446	(854)
Intergovernmental	855,825	1,569,860	1,511,004	(58,856)
Charges for Services	14,500	14,500	3,850	(10,650)
Miscellaneous	76,500	207,494	218,073	10,579
Total Receipts	<u>1,788,225</u>	<u>2,691,892</u>	<u>2,680,480</u>	<u>(11,412)</u>
<b>DISBURSEMENTS</b>				
General Government	1,276,110	1,342,965	1,285,103	57,862
Protection to Persons and Property	22,625	38,091	31,385	6,706
General Health and Sanitation	20,000	25,138	25,137	1
Social Services	2,800	3,954	3,954	
Recreation and Culture		190	189	1
Administration	408,173	1,192,041	446,614	745,427
Total Disbursements	<u>1,729,708</u>	<u>2,602,379</u>	<u>1,792,382</u>	<u>809,997</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>58,517</u>	<u>89,513</u>	<u>888,098</u>	<u>798,585</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	185,000	185,000	194,435	9,435
Transfers To Other Funds	(318,517)	(318,517)	(1,061,940)	(743,423)
Total Other Adjustments to Cash (Uses)	<u>(133,517)</u>	<u>(133,517)</u>	<u>(867,505)</u>	<u>(733,988)</u>
Net Change in Fund Balance	(75,000)	(44,004)	20,593	64,597
Fund Balance - Beginning	75,000	206,704	209,335	2,631
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 162,700</u>	<u>\$ 229,928</u>	<u>\$ 67,228</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 27,000	\$ 27,000	\$ 28,046	\$ 1,046
Intergovernmental	1,878,975	1,878,975	1,825,156	(53,819)
Miscellaneous	126,200	275,380	293,330	17,950
Total Receipts	<u>2,032,175</u>	<u>2,181,355</u>	<u>2,146,532</u>	<u>(34,823)</u>
<b>DISBURSEMENTS</b>				
Roads	1,513,700	1,797,737	1,732,802	64,935
Debt Service	246,000	246,000	241,088	4,912
Administration	237,475	260,168	236,576	23,592
Total Disbursements	<u>1,997,175</u>	<u>2,303,905</u>	<u>2,210,466</u>	<u>93,439</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>35,000</u>	<u>(122,550)</u>	<u>(63,934)</u>	<u>58,616</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			166,050	166,050
Transfers To Other Funds	(185,000)	(185,000)	(193,500)	(8,500)
Total Other Adjustments to Cash (Uses)	<u>(185,000)</u>	<u>(185,000)</u>	<u>(27,450)</u>	<u>157,550</u>
Net Change in Fund Balance	(150,000)	(307,550)	(91,384)	216,166
Fund Balance - Beginning (Restated)	<u>150,000</u>	<u>150,000</u>	<u>121,806</u>	<u>(28,194)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (157,550)</u>	<u>\$ 30,422</u>	<u>\$ 187,972</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 95,800	\$ 95,800	\$ 77,302	\$ (18,498)
Miscellaneous	250	250	39,617	39,367
Total Receipts	<u>96,050</u>	<u>96,050</u>	<u>116,919</u>	<u>20,869</u>
<b>DISBURSEMENTS</b>				
General Government	4,315	4,949	4,949	
Protection to Persons and Property	375,752	374,916	278,924	95,992
Administration	24,500	24,702	23,349	1,353
Total Disbursements	<u>404,567</u>	<u>404,567</u>	<u>307,222</u>	<u>97,345</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(308,517)</u>	<u>(308,517)</u>	<u>(190,303)</u>	<u>118,214</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	308,517	308,517	192,373	(116,144)
Total Other Adjustments to Cash (Uses)	<u>308,517</u>	<u>308,517</u>	<u>192,373</u>	<u>(116,144)</u>
Net Change in Fund Balance			2,070	2,070
Fund Balance - Beginning			<u>347</u>	<u>347</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,417</u>	<u>\$ 2,417</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 27,934	\$ (12,066)
Total Receipts	<u>40,000</u>	<u>40,000</u>	<u>27,934</u>	<u>(12,066)</u>
<b>DISBURSEMENTS</b>				
General Government	13,200	13,200	11,200	2,000
Protection to Persons and Property	14,500	14,500		14,500
General Health and Sanitation	24,700	33,900	32,764	1,136
Social Services	1,000	1,000		1,000
Administration	36,600	27,400	22,480	4,920
Total Disbursements	<u>90,000</u>	<u>90,000</u>	<u>66,444</u>	<u>23,556</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>(38,510)</u>	<u>11,490</u>
Net Change in Fund Balance	(50,000)	(50,000)	(38,510)	11,490
Fund Balance - Beginning	<u>50,000</u>	<u>50,000</u>	<u>53,144</u>	<u>3,144</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,634</u>	<u>\$ 14,634</u>



**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>FIRE PROTECTION FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,500	\$ 2,500	\$ 2,307	\$ (193)
Total Receipts	<u>2,500</u>	<u>2,500</u>	<u>2,307</u>	<u>(193)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	2,400	2,400	2,317	83
Administration	2,456	2,456		2,456
Total Disbursements	<u>4,856</u>	<u>4,856</u>	<u>2,317</u>	<u>2,539</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,356)</u>	<u>(2,356)</u>	<u>(10)</u>	<u>2,346</u>
Net Change in Fund Balance	(2,356)	(2,356)	(10)	2,346
Fund Balance - Beginning	<u>2,356</u>	<u>2,356</u>	<u>2,383</u>	<u>27</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,373</u>	<u>\$ 2,373</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>SOLID WASTE FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 114,400	\$	\$	\$
Licenses and Permits	1,200	1,200	1,475	275
Intergovernmental	200,000	200,000	167,489	(32,511)
Charges for Services		114,400	117,624	3,224
Miscellaneous	158,000	171,291	185,785	14,494
Total Receipts	<u>473,600</u>	<u>486,891</u>	<u>472,373</u>	<u>(14,518)</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	372,000	394,043	224,335	169,708
Debt Service	165,300	167,270	167,270	
Administration	86,300	80,728	28,255	52,473
Total Disbursements	<u>623,600</u>	<u>642,041</u>	<u>419,860</u>	<u>222,181</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(155,150)</u>	<u>52,513</u>	<u>207,663</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			7,500	7,500
Transfers To Other Funds	<u>(20,000)</u>	<u>(20,000)</u>		<u>20,000</u>
Total Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>7,500</u>	<u>27,500</u>
Net Change in Fund Balance	(170,000)	(175,150)	60,013	235,163
Fund Balance - Beginning	<u>170,000</u>	<u>170,000</u>	<u>173,668</u>	<u>3,668</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (5,150)</u>	<u>\$ 233,681</u>	<u>\$ 238,831</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 55,000	\$ 53,856	\$ (1,144)
Total Receipts		55,000	53,856	(1,144)
<b>DISBURSEMENTS</b>				
Capital Projects		55,000	53,856	1,144
Total Disbursements		55,000	53,856	1,144
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>E-911 FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 135,000	\$ 135,000	\$ 137,225	\$ 2,225
Miscellaneous	500	500	42,917	42,417
Total Receipts	<u>135,500</u>	<u>135,500</u>	<u>180,142</u>	<u>44,642</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	145,150	145,150	138,789	6,361
Administration	150,350	150,350	17,405	132,945
Total Disbursements	<u>295,500</u>	<u>295,500</u>	<u>156,194</u>	<u>139,306</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(160,000)</u>	<u>(160,000)</u>	<u>23,948</u>	<u>183,948</u>
Net Change in Fund Balance	(160,000)	(160,000)	23,948	183,948
Fund Balance - Beginning	<u>160,000</u>	<u>160,000</u>	<u>182,222</u>	<u>22,222</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 206,170</u>	<u>\$ 206,170</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>SPECIAL PROJECTS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,000,000	\$ 1,000,000	\$ 460,746	\$ (539,254)
Interest	2,370	2,370	59	(2,311)
Total Receipts	<u>1,002,370</u>	<u>1,002,370</u>	<u>460,805</u>	<u>(541,565)</u>
<b>DISBURSEMENTS</b>				
Capital Projects	1,228,216	1,228,216	586,656	641,560
Total Disbursements	<u>1,228,216</u>	<u>1,228,216</u>	<u>586,656</u>	<u>641,560</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(225,846)</u>	<u>(225,846)</u>	<u>(125,851)</u>	<u>99,995</u>
Net Change in Fund Balance	(225,846)	(225,846)	(125,851)	99,995
Fund Balance - Beginning	<u>225,846</u>	<u>225,846</u>	<u>228,214</u>	<u>2,368</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,363</u>	<u>\$ 102,363</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>UNITED AGAINST DRUGS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 125,000	\$ 125,000	\$ 108,400	\$ (16,600)
Miscellaneous			1,728	1,728
Total Receipts	<u>125,000</u>	<u>125,000</u>	<u>110,128</u>	<u>(14,872)</u>
<b>DISBURSEMENTS</b>				
Social Services	112,300	110,894	101,082	9,812
Administration	12,700	14,106	12,158	1,948
Total Disbursements	<u>125,000</u>	<u>125,000</u>	<u>113,240</u>	<u>11,760</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>(3,112)</u>	<u>(3,112)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			935	935
Transfers To Other Funds			<u>(935)</u>	<u>(935)</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance			(3,112)	(3,112)
Fund Balance - Beginning			<u>6,644</u>	<u>6,644</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,532</u>	<u>\$ 3,532</u>

**WOLFE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2021**  
**(Continued)**

	<b>REVOLVING GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 75,000	\$ 75,000	\$	\$ (75,000)
Total Receipts	<u>75,000</u>	<u>75,000</u>		<u>(75,000)</u>
<b>DISBURSEMENTS</b>				
Administration	105,000	105,000		105,000
Total Disbursements	<u>105,000</u>	<u>105,000</u>		<u>105,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(30,000)</u>		<u>30,000</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	30,000	30,000		(30,000)
Total Other Adjustments to Cash (Uses)	<u>30,000</u>	<u>30,000</u>		<u>(30,000)</u>
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**WOLFE COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2021**

**Note 1. Budgetary Information**

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

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

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



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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program Campton Tank Replacement Project	14.228	18-036	\$ _____	\$ 586,656
<b>Total U.S. Department of Housing and Urban Development</b>			<u>_____</u>	<u>586,656</u>
<b><u>Federal Highway Administration</u></b>				
<i>Passed-Through Kentucky Transportation Cabinet</i>				
Highway Planning and Construction Cluster Highway Planning and Construction	20.205	10-03205	\$ _____	\$ 549,977
<b>Total Federal Highway Administration</b>			<u>_____</u>	<u>549,977</u>
<b><u>U. S. Department of the Treasury</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	PON2-112-2100000315	\$ _____	\$ 243,306
<b>Total U.S. Department of the Treasury</b>			<u>_____</u>	<u>243,306</u>
<b><u>U. S. Department of Health and Human Services</u></b>				
<i>Direct Program</i>				
Drug-Free Communities Support Program Grants	93.276	1NH28CE002710-01-00	\$ _____	\$ 113,240
<b>Total U.S. Department of Health and Human Services</b>			<u>_____</u>	<u>113,240</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Department for Military Affairs</i>				
Emergency Management Performance Grants	97.042	N/A	\$ _____	\$ 6,698
<b>Total U.S. Department of Homeland Security</b>			<u>_____</u>	<u>6,698</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 0</u>	<u>\$ 1,499,877</u>

The accompanying notes are an integral part of this schedule.

**WOLFE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2021**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Wolfe County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Wolfe County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wolfe County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Wolfe County has not adopted an indirect cost rate and has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**WOLFE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2021**

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**WOLFE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2021**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,513,439	\$	\$	\$ 1,513,439
Buildings	12,654,062			12,654,062
Vehicles	993,798	397,786	353,058	1,038,526
Equipment	1,170,238			1,170,238
Infrastructure	4,986,853	67,014		5,053,867
 Total Capital Assets	 <u>\$ 21,318,390</u>	 <u>\$ 464,800</u>	 <u>\$ 353,058</u>	 <u>\$ 21,430,132</u>

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

**June 30, 2021**

**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
Vehicles	\$ 2,500	3-5
Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50



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

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Wolfe County Fiscal Court's financial statement and have issued our report thereon dated August 12, 2022.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-006 to be material weaknesses.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Wolfe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-006.

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

**Views of Responsible Officials and Planned Corrective Action**

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

**Purpose of this Report**

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

Respectfully submitted,



Tammy R. Patrick, CPA  
Patrick & Associates, LLC

August 12, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive  
Winchester, KY 40391

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

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Wolfe County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Wolfe County Fiscal Court's major federal programs for the year ended June 30, 2021. The Wolfe County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Wolfe County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Wolfe County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Wolfe County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Other Matter**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-007. Our opinion on each major federal program is not modified with respect to this matter.

Wolfe County Fiscal Court's response to the noncompliance finding identified in our audit is included in the accompanying schedule of findings and questioned costs. Wolfe County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Wolfe County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Wolfe County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wolfe County Fiscal Court's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-007 that we consider to be a material weakness.

Wolfe County Fiscal Court's response to the internal control over compliance finding identified in our audit is included in the accompanying schedule of findings and questioned costs. Wolfe County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Report on Internal Control over Compliance (Continued)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive style.

Tammy R. Patrick, CPA  
Patrick & Associates, LLC

August 12, 2022

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

**For The Year Ended June 30, 2021**

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

**For The Year Ended June 30, 2021**

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs - Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program Campton Tank Replacement Project
21.019	COVID-19 - Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**WOLFE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings**

2021-001 The Wolfe County Fiscal Court Did Not Record Long-Term Liabilities On The Quarterly Report

This is a repeat finding and was included in the prior year audit report as finding 2020-007. The fiscal court did not prepare a liabilities section for the fourth quarter financial statement. Underlying accounting records show that the county has outstanding liabilities at the end of the year for three different debt obligations totaling \$6,777,917, but did not include a liabilities section for the fourth quarter financial statement as required by the Department for Local Government.

The county did not have proper controls in place to ensure the fourth quarter financial statement that was prepared included all elements according to Department for Local Government requirements.

By not preparing a liabilities section for the fourth quarter financial statement, the county is not in compliance with KRS 68.210. This also results in the liabilities information not accurately being presented to management, regulatory agencies, and other users of the information.

The fiscal court is required to follow the guidelines as set forth by the *County Budget Preparation Manual* prepared by the Department for Local Government in order to be in compliance with KRS 68.210. These guidelines require the preparation of a liabilities section to be included with the submission of the fourth quarter financial report which shall include all outstanding debt obligations of the county including any debt outstanding for the public properties corporation.

We recommend the fiscal court implement internal controls to ensure the fourth quarter financial statement includes an accurate liabilities section and all other elements required by the Department for Local Government.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was an oversight. When the treasurer started, many things were not logged and everything had to be learned. We strive to do things correctly to please requirements; unfortunately, some things are still missed occasionally. We will work to ensure long-term liabilities are reported properly in the future.*

2021-002 The Wolfe County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund

This is a repeat finding and was included in the prior year audit report as finding 2020-005. The fiscal court did not have proper records for the public properties corporation fund. The quarterly statements received from the financial institution for this account were presented to the fiscal court. However, the county did not maintain ledgers for receipts and disbursements, did not prepare bank reconciliations, and did not prepare financial statements for the fiscal year ended June 30, 2021, for the public properties corporation's fund.

The county treasurer was unaware that he had to prepare a financial statement for the public properties corporation fund. This fund is for reporting debt financing for the fiscal court and not included on the quarterly report, per Department for Local Government guidelines.

The failure to appoint an employee to be responsible for the proper maintenance and accounting for these records results in the fiscal court being unable to properly account for the receipts and disbursements of the public properties corporation. Furthermore, this also results in the fiscal court being unable to accurately assess the level of debt for which it is responsible.

**WOLFE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-002 The Wolfe County Fiscal Court Did Not Maintain Proper Records For The Public Properties Corporation Fund (Continued)

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The fiscal court is financially accountable and legally obligated for the debt of the public properties corporation and this fund is reported as an unbudgeted fund of the fiscal court in the audit report. As the fiscal court is financially accountable and legally obligated for the debt of the public properties corporation, they should maintain proper records to be able to account for the cash balances, project costs, and debt payments for which they are responsible. Furthermore, good internal controls require that all fiscal court funds be reconciled, and financial statements be prepared for each fund.

We recommend the fiscal court prepare and maintain ledgers for the receipts and disbursements of the public properties fund. We also recommend the fiscal court prepare bank reconciliations and an end-of-the-year financial statement for the public properties corporation fund.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: February 2021 we began presenting the quarterly and annual reports for this fund to the Fiscal Court. We were unaware of a financial statement that needed to be prepared for reconciliation of this fund. We will work to implement a corrective action plan and create a financial statement for this fund.*

2021-003 The Wolfe County Fiscal Court's Purchase Order System Did Not Operate Correctly

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During fiscal year 2021, a lack of proper controls existed over purchasing and disbursement procedures by the Wolfe County Fiscal Court. The purchase order system in place did not operate correctly and was not in compliance with the fiscal court's purchasing procedures. The following deficiencies were noted:

Purchase orders were not issued for 37 of the 47 disbursements tested. Invoices for which a purchase order was issued did not include the purchase order number related to the disbursement and sometimes the purchase order listing did not include a dollar amount for the purchase.

The treasurer and finance officer were not aware that purchase orders should be issued for all disbursements, that the purchase order number should be noted on the related invoice, and that purchase orders should indicate the amount the purchase order was issued for.

The purpose of a purchase order system is to ensure the county is aware of cash balances and budget capacity at any given time. Without amounts or estimated amounts for purchase orders, it is impossible for the county to determine if there are adequate cash balances and adequate budget capacity to cover the purchases, which could lead to overspending. The amount (or estimated amount) is the single most important piece of information to include on the purchase order listing.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which outlines the necessary requirements of a purchase order system. These requirements include listing the amount of the claim and the appropriation code to which the claim will be posted. Proper internal controls would require the purchase order number be noted on the related invoice.

**WOLFE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-003 The Wolfe County Fiscal Court's Purchase Order System Did Not Operate Correctly (Continued)

We recommend the county strengthen controls over disbursements and the purchasing procedures by requiring disbursements to have purchase orders submitted prior to approval. All purchase orders should be completed properly with dates, amounts, account codes. Each invoice should include the related purchase order number when being approved for payment.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: In past internal challenges to our purchase order system, we have found the system to be effective. The discrepancies found in this audit seem to be related to issues that are out of the Fiscal Court's domain. For example, one finding dealt with federal funds managed by KRADD. The purchases there would have been handled by KRADD staff. Other discrepancies deal with monthly bills such as inmate housing bill that is individually approved by the Fiscal Court. All day to day purchases (routine and otherwise) require a purchase order, which is date stamped and logged, including the requester and point of purchase.*

*Auditor Reply: The Department for Local Government's County Budget Preparation and State Local Finance Officer Policy Manual states the required purchasing procedures for counties. Per the manual, "purchases shall not be made without approval by the judge/executive (or designee), and/or department head."*

2021-004 The Wolfe County Fiscal Court Lacks Adequate Controls Over Their Bid Process

The Wolfe County Fiscal Court failed to follow bid requirements for the purchase of a dump truck in the amount of \$53,856. In addition, the fiscal court did not maintain appropriate bid files for all expenditures that were bid.

The county judge/executive stated failing to bid the dump truck purchase was an oversight. The county also failed to properly implement internal controls and provide sufficient management oversight over the bid process. These issues were compounded due to management's and accounting personnel's lack of understanding regarding bid process and documentation requirements.

As a result, the fiscal court was not in compliance with state bidding laws or their administrative code. In addition, the fiscal court might not have received the best value for services or products provided.

Strong internal controls require management to monitor disbursements and purchase orders to ensure compliance with bid laws, and keep good records of all bid transactions. KRS 424.260 states "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids." Additionally, this requirement is outlined in Section 9 of the Wolfe County Administrative Code.

We recommend in the future the fiscal court monitor all disbursements to ensure that bidding procedures are followed for all qualifying disbursements. We further recommend the fiscal court document these procedures in the fiscal court minutes and maintain bid files to document the bidding process for all applicable expenditures.



**WOLFE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-004 The Wolfe County Fiscal Court Lacks Adequate Controls Over Their Bid Process (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was an oversight. This purchase in question was a truck that was purchased in June of 2021. At the time of purchase many car lots were empty. The county was in dire need of a new small dump truck. Vehicle supply was very low and demand was very high nationwide due to effects of global pandemic. In fear of missing out, the process of buying the truck was rushed and the bid process was missed. We will work to closer monitor bidding procedures.*

2021-005 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Payroll Tax Collections

It was noted during the audit that the daily tax reports from the tax software system were not being agreed and reconciled to the actual deposit and receipt ledger postings and that daily deposits were not being made.

Internal controls over the occupational and net profit tax collections were not properly developed and implemented. The lack of adequate appropriate controls being implemented and monitored over the payroll tax collection process could lead to the misappropriation of assets and inaccurate financial reporting.

Proper internal controls and maintaining documentation of control procedures completed is essential to protect the fiscal court against misappropriation of assets and inaccurate financial reporting, while also protecting employees in the normal course of performing their job responsibilities.

It is recommended that the fiscal court implement additional controls over the payroll tax collections and maintain adequate supporting documentation of the control processes that are utilized.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: Payroll tax collections are collected monthly and quarterly. We receive money throughout the month. CFO and County Judge open and sort mail. After CFO logs amount of collections into payroll tax software, checks are then given to Treasurer for deposit. All funds are reconciled monthly. Monthly collection reports are filed in a folder as they are received. We will work to implement more controls that monitor collections to ensure deposits agree to daily tax reports.*

2021-006 The Wolfe County Fiscal Court Schedule Of Expenditures Of Federal Awards Was Not Accurate

The Wolfe County schedule of expenditures of federal awards (SEFA) did not accurately report federal grant disbursements for fiscal year ended June 30, 2021. The county treasurer tracks federal grant activity receipts and disbursements to prepare the SEFA each fiscal year based on his records and information provided from the various department heads. The treasurer did not include the expenditures for the TAP grant relating to the East Campton Sidewalk Project. The expenditures for this project during fiscal year 2021 totaled \$549,977.

This grant was originally going to be sponsored by the City of Campton. The city was unable to fiscally manage the project so the county stepped in as grantee. This caused some miscommunication to the treasurer about whether this should be put on the county's SEFA or not. The fiscal court is not in compliance with reporting requirements for federal awards. As the county did end up being the grant sponsor, the expenditures for this grant should have been included on the fiscal year 2021 SEFA.

**WOLFE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2021-006 The Wolfe County Fiscal Court Schedule Of Expenditures Of Federal Awards Was Not Accurate  
 (Continued)

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KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual requires the county treasurer to prepare a schedule of expenditures of federal awards and submit this schedule with the fourth quarter report to the Department for Local Government.

Additionally, *OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements For Federal Awards* 2 CFR 200.508(b) requires the auditee to "[p]repare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with 200.510 Financial statements." 2 CFR 200.510(b) states, in part, "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502." In addition, good internal controls dictate the SEFA be complete and accurate.

We recommend the Wolfe County Fiscal Court ensure the SEFA is complete and accurately prepared for each fiscal year federal monies are expended.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: This was an oversight. This grant was originally to be awarded to the City of Campton. There was an issue with the City of Campton being able to manage the grant. It was our understanding the Fiscal Court would be used as a pass-through, and City of Campton was still managing the grant therefore the Fiscal Court would not have to report on the Wolfe County Fiscal Court SEFA. It appears this was a complete misunderstanding. We will try to monitor all Federal Awards and ensure all are reported on the SEFA.*

**Section III: Federal Award Findings And Questioned Costs**

2021-007 The Wolfe County Fiscal Court Did Not Prepare Purchase Orders For Federal Expenditures

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The Wolfe County Fiscal Court does have a purchase order system in place; however, the controls to ensure they were prepared for federal expenditures was not working. The expenditures tested for the CDBG grant did not have purchase orders prepared.

The treasurer and finance officer were not aware that purchase orders should be issued for the CDBG expenditures.

The purpose of a purchase order system is to ensure the county is aware of cash balances and budget capacity at any given time. Without amounts or estimated amounts for purchase orders, it is impossible for the county to determine if there are adequate cash balances and adequate budget capacity to cover the purchases, which could lead to overspending. The amount (or estimated amount) is the single most important piece of information to include on the purchase order listing.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which outlines the necessary requirements of a purchase order system. These requirements include listing the amount of the claim and the appropriation code to which the claim will be posted.

**WOLFE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2021  
(Continued)**

**Section III: Federal Award Findings And Questioned Costs (Continued)**

2021-007 The Wolfe County Fiscal Court Did Not Prepare Purchase Orders For Federal Expenditures  
(Continued)

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In addition, 2 CFR 200.318(a) states, “The non-Federal entity must use its own documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in § 200.317 through 200.327.”

We recommend the county strengthen controls over federal disbursements and the purchasing procedures by requiring all disbursements to have purchase orders prepared prior to the expenditure being made. All purchase orders should be completed properly with dates, amounts, and account codes.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: In past internal challenges to our purchase order system, we have found the system to be effective. The discrepancies found in this audit seem to be related to issues that are out of the Fiscal Court's domain. For example, the finding of CBDG fund dealt with federal funds managed by KR.ADD. The purchases there would have been handled by KRADD staff. A detailed draw request is submitted to the Fiscal Court after purchases have been made, requesting payment. Detailed draw request is kept on file along with copies in Fiscal Court meeting minutes. No disbursements or draw request are made without Fiscal Court review and approval. All day-to-day purchases (routine and otherwise) require a purchase order, which is date stamped and logged, including the requester and point of purchase.*

**Auditor Reply:** The Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* states the required purchasing procedures for counties. Per the manual, “purchases shall not be made without approval by the judge/executive (or designee), and/or department head.”

**WOLFE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2021**  
**(Continued)**

**Section IV: Summary Schedule of Prior Audit Findings**

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	Interfund Cash Transfer Amounts Approved By The Fiscal Court Do Not Match What Was Actually Transferred	Corrected	
2020-002	The County Treasurer Performed An Interfund Cash Transfer Without Fiscal Court Approval	Corrected	
2020-003	The Fiscal Court Failed To Correctly Utilize The Uniform Systems Of Accounts As Established By The State Local Finance Officer	Corrected	
2020-004	The Solid Waste Fund Budget As Reported In The 4th Quarter Report And In The Original Budget Are Inconsistent	Corrected	
2020-005	The Fiscal Court Did Not Establish Adequate Controls Over The Public Properties Corporation Fund	Not Corrected	See Finding #2021-002
2020-006	The Fiscal Court And County Treasurer Allowed Claims In Excess Of Their Respective Budget Funds	Corrected	
2020-007	The Fiscal Court Did Not Report The Public Properties Corporation Debt And Did Not Include The Long-term Liabilities Schedule With The Fourth Quarter Report	Not Corrected	See Finding #2021-001
2020-008	Instances Were Discovered In Which Employees Did Not Sign Their Timesheets	Corrected	
2020-009	The County Treasurer Failed To Deposit National Forestry Receipts Into The County Road Fund	Corrected	
2020-010	The Fiscal Court Failed To Remit A Share Of The National Forestry Receipts To The School District	Corrected	

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

**WOLFE COUNTY FISCAL COURT**

**For The Year Ended June 30, 2021**

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

WOLFE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2021

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

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County Judge/Executive

A handwritten signature in blue ink, written over a horizontal line. The signature is cursive and appears to be "Porter Harris".

County Treasurer