

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

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

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, 2019, 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.



To the People of Kentucky

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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, 2019, 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, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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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 December 10, 2019, on our consideration of the Wolfe County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wolfe County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 A Schedule Of Expenditures Of Federal Awards (SEFA) Was Not Prepared
- 2019-002 The Fiscal Court Lacks Adequate Controls Over Interfund Transfers
- 2019-003 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
- 2019-004 The Fiscal Court Did Not Establish Adequate Controls Over The Justice Center Corporation Fund
- 2019-005 Road Funds Were Used To Pay The Full Amount Of Insurance Premiums
- 2019-006 The Fiscal Court Failed To Remit A Share Of The National Forestry Receipts To School District
- 2019-007 The Fiscal Court Lacked Segregation Of Duties And Internal Controls Over The Payroll Process
- 2019-008 The Fiscal Court Is Not Monitoring The Chop Shop Agreement
- 2019-009 The Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements
- 2019-010 The Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 10, 2019

WOLFE COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

Raymond Banks	County Judge/Executive (January 7, 2019-June 30, 2019)
Dennis Brooks	Former County Judge/Executive (July 1, 2018-December 31, 2018)
Wade Gibbs	Magistrate (July 1, 2018-December 31, 2018)
Gene Booth	Magistrate (July 1, 2018-December 31, 2018)
James Banks	Magistrate (May 31, 2019-June 30, 2019)
Brendon Rose	Former Magistrate (July 1, 2018-December 31, 2018)
James Dean	Former Magistrate (July 1, 2018-December 31, 2018)
Garrett Denniston	Former Magistrate (July 1, 2018-December 31, 2018)

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 (February 12, 2019-June 30, 2019)
Rebecca Long	Former County Treasurer (July 1, 2018-December 31, 2018)
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, 2019

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

For The Year Ended June 30, 2019

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 809,441	\$ 1,844	\$	\$
In Lieu Tax Payments	71,855			
Excess Fees	36,478			
Licenses and Permits	1,145			
Intergovernmental	282,730	1,300,290	101,063	104,198
Charges for Services	1,747			
Miscellaneous	128,012	147,426	7,296	
Interest	6	122		38
Total Receipts	<u>1,331,414</u>	<u>1,449,682</u>	<u>108,359</u>	<u>104,236</u>
DISBURSEMENTS				
General Government	704,936			11,738
Protection to Persons and Property	50,695		371,920	
General Health and Sanitation	14,744			19,318
Social Services	5,733			7,600
Recreation and Culture	18,723			18,500
Roads		1,041,341		106,188
Debt Service		98,863		
Capital Projects				
Administration	407,650	233,954	20,601	16,749
Total Disbursements	<u>1,202,481</u>	<u>1,374,158</u>	<u>392,521</u>	<u>180,093</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>128,933</u>	<u>75,524</u>	<u>(284,162)</u>	<u>(75,857)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		154,760		
Transfers From Other Funds	278,537	82,000	313,201	9,386
Transfers To Other Funds	<u>(339,201)</u>	<u>(276,514)</u>		
Total Other Adjustments to Cash (Uses)	<u>(60,664)</u>	<u>(39,754)</u>	<u>313,201</u>	<u>9,386</u>
Net Change in Fund Balance	68,269	35,770	29,039	(66,471)
Fund Balance - Beginning (Restated)	<u>(25,706)</u>	<u>346,897</u>	<u>(28,494)</u>	<u>112,409</u>
Fund Balance - Ending	<u>\$ 42,563</u>	<u>\$ 382,667</u>	<u>\$ 545</u>	<u>\$ 45,938</u>
Composition of Fund Balance				
Bank Balance	\$ 50,231	\$ 387,590	\$ 866	\$ 47,838
Plus: Deposits In Transit				
Less: Outstanding Checks	(7,668)	(4,923)	(321)	(1,900)
Certificates of Deposit				
Fund Balance - Ending	<u>\$ 42,563</u>	<u>\$ 382,667</u>	<u>\$ 545</u>	<u>\$ 45,938</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, 2019
(Continued)

Budgeted Funds					
Area Development Fund	Fire Protection Fund	Solid Waste Fund	Search and Rescue Fund	Local Government Economic Development Fund	E-911 Fund
\$	\$ 2,286	\$	\$	\$	\$
		75,184			
		1,150			
		69,094		3,260	201,112
		317,936	1,000		6
1			2		39
1	2,286	463,364	1,002	3,260	201,157
	2,317				150,503
		211,513			
		159,404			
				3,260	
		34,484			9,027
	2,317	405,401		3,260	159,530
1	(31)	57,963	1,002		41,627
(2,996)	(2,426)		(9,386)	(51,475)	
(2,996)	(2,426)		(9,386)	(51,475)	
(2,995)	(2,457)	57,963	(8,384)	(51,475)	41,627
2,995	2,457	192,839	8,384	51,475	108,725
\$ 0	\$ 0	\$ 250,802	\$ 0	\$ 0	\$ 150,352
	\$	\$ 250,421	\$	\$	\$ 150,764
		381			
					(412)
\$ 0	\$ 0	\$ 250,802	\$ 0	\$ 0	\$ 150,352

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, 2019
(Continued)

	Budgeted Funds			
	Animal Shelter Fund	Pavilion Fund	Special Projects Fund	United Against Drugs Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental		11,759		75,588
Charges for Services				
Miscellaneous	11,528			
Interest			245	
Total Receipts	<u>11,528</u>	<u>11,759</u>	<u>245</u>	<u>75,588</u>
DISBURSEMENTS				
General Government	12,154			
Protection to Persons and Property				70,708
General Health and Sanitation				
Social Services		25,259		
Recreation and Culture				
Roads				
Debt Service				
Capital Projects			120,000	
Administration				4,846
Total Disbursements	<u>12,154</u>	<u>25,259</u>	<u>120,000</u>	<u>75,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(626)</u>	<u>(13,500)</u>	<u>(119,755)</u>	<u>34</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds				10,000
Transfers To Other Funds	(1,126)			(10,000)
Total Other Adjustments to Cash (Uses)	<u>(1,126)</u>			
Net Change in Fund Balance	(1,752)	(13,500)	(119,755)	34
Fund Balance - Beginning	1,752	13,500	352,271	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 232,516</u>	<u>\$ 34</u>
Composition of Fund Balance				
Bank Balance	\$	\$	\$ 132,448	\$ 484
Plus: Deposits In Transit				
Less: Outstanding Checks				(450)
Certificates of Deposit			100,068	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 232,516</u>	<u>\$ 34</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, 2019
(Continued)

	<u>Unbudgeted Funds</u>		
	<u>Revolving Grant Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
RECEIPTS			
Taxes	\$	\$	\$ 813,571
In Lieu Tax Payments			147,039
Excess Fees			36,478
Licenses and Permits			2,295
Intergovernmental	74,470	753,990	2,977,554
Charges for Services			1,747
Miscellaneous			613,204
Interest		4,395	4,848
Total Receipts	<u>74,470</u>	<u>758,385</u>	<u>4,596,736</u>
DISBURSEMENTS			
General Government			728,828
Protection to Persons and Property			646,143
General Health and Sanitation			245,575
Social Services			38,592
Recreation and Culture			37,223
Roads			1,147,529
Debt Service		752,450	1,010,717
Capital Projects			123,260
Administration	72,735	1,540	801,586
Total Disbursements	<u>72,735</u>	<u>753,990</u>	<u>4,779,453</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,735</u>	<u>4,395</u>	<u>(182,717)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			154,760
Transfers From Other Funds			693,124
Transfers To Other Funds			(693,124)
Total Other Adjustments to Cash (Uses)			<u>154,760</u>
Net Change in Fund Balance	1,735	4,395	(27,957)
Fund Balance - Beginning		193,330	1,332,834
Fund Balance - Ending	<u>\$ 1,735</u>	<u>\$ 197,725</u>	<u>\$ 1,304,877</u>
Composition of Fund Balance			
Bank Balance	\$ 1,735	\$ 197,725	\$ 1,220,102
Plus: Deposits In Transit			381
Less: Outstanding Checks			(15,674)
Certificates of Deposit			100,068
Fund Balance - Ending	<u>\$ 1,735</u>	<u>\$ 197,725</u>	<u>\$ 1,304,877</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, 2019

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 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, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund (LGEA) - 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 government.

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

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

Solid Waste Fund - The primary purpose of this fund is to account for the expenses related to recycling and landfill. The primary sources of receipts for this fund are grants from the state government and auction proceeds for assets held for resale.

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

Local Government Economic Development (LGED) 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 government.

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

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

Pavilion Fund - The primary purpose of this fund is to account for a youth agricultural incentive program grant.

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

United Against Drugs 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.

Unbudgeted Funds

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

E. Wolfe County Elected Officials

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

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

F. Deposits and Investments

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

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

Three Forks Regional Jail

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

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

Under the terms of the financing agreements, repayment schedules are established to enable the issuer to meet the principal and interest requirements of the related bonds. No participant is, however, responsible for the failure of any other participant to pay its obligations under a financing agreement. Each participating county covenants to meet its proportionate share of the debt service requirements on the bonds as follows: 40% for Lee County, 22% for Owsley County, and 38% for Wolfe County. The principal amount outstanding at June 30, 2019, attributable to Wolfe County is \$1,279,760.

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

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures (Continued)

Wolfe-Morgan Multi-County Industrial Development Authority

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2019, 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 2019.

	General Fund	Road Fund	Jail Fund	United Against Drugs Fund	LGEA Fund	Total Transfers Out
General Fund	\$	\$ 72,000	\$ 267,201	\$	\$	\$ 339,201
Road Fund	220,514		46,000	10,000		276,514
Animal Shelter Fund	1,126					1,126
Fire Protection Fund	2,426					2,426
LGED Fund	51,475					51,475
Search & Rescue Fund					9,386	9,386
United Against Drugs Fund		10,000				10,000
Area Development Fund	2,996					2,996
Total Transfers In	\$ 278,537	\$ 82,000	\$ 313,201	\$ 10,000	\$ 9,386	\$ 693,124

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 3. Transfers (Continued)

Reason for transfers:

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

Note 4. Long-term Debt

A. Direct Borrowings

1. Black Top

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 rental payments when and as due. As of June 30, 2019, the principal outstanding is \$710,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 62,083	\$ 32,441
2021	65,000	27,536
2022	67,083	25,325
2023	70,000	22,921
2024	72,084	20,277
2025-2029	<u>373,750</u>	<u>51,624</u>
Totals	<u>\$ 710,000</u>	<u>\$ 180,124</u>

B. Other Debt

1. Public Properties Corporation Revenue Bonds - Judicial Center

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

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

Semi-annual interest payments are required on April 1 and October 1 of each year, with annual principal payments on April 1, and a final maturity date of April 1, 2022. As of June 30, 2019, the principal outstanding is \$1,585,000. Future principal and interest requirements are as follows:

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

1. Public Properties Corporation Revenue Bonds - Judicial Center (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 510,000	\$ 54,200
2021	530,000	37,625
2022	545,000	19,075
Totals	<u>\$1,585,000</u>	<u>\$ 110,900</u>

2. Public Properties Corporation Refunding Revenue Bonds - Judicial Center

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

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

Semi-annual interest payments are required on April 1 and October 1 of each year, beginning October 1, 2016. Annual principal payments begin on April 1, 2022, with a final maturity on April 1, 2030. As of June 30, 2019, the principal outstanding is \$5,650,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$	\$ 188,400
2021		188,400
2022	50,000	188,400
2023	615,000	186,900
2024	640,000	162,300
2025-2029	3,565,000	443,450
2030	780,000	23,400
Totals	<u>\$5,650,000</u>	<u>\$ 1,381,250</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 4. Long-term Debt (Continued)

B. Other Debt (Continued)

3. Financing Obligation - Mack Truck

On July 12, 2017, the Wolfe County Fiscal Court entered into a \$153,916 lease with the Kentucky Association of Counties Leasing Trust to purchase a Mack truck. The lease agreement requires monthly interest payments and one principal payment on January 20, 2019. As of June 30, 2019, the principal outstanding is \$138,872. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 138,872	\$ 1,829
Totals	<u>\$ 138,872</u>	<u>\$ 1,829</u>

4. Financing Obligation - Mack Truck

On September 19, 2018, the Wolfe County Fiscal Court entered into a \$154,760 lease with the Kentucky Association of Counties Leasing Trust to purchase a Mack truck. The lease agreement requires monthly interest payments and one principal payment on October 20, 2019. As of June 30, 2019, the principal outstanding is \$154,760. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 154,760	\$ 5,094
Totals	<u>\$ 154,760</u>	<u>\$ 5,094</u>

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	\$ 767,083	\$	\$ 57,083	\$ 710,000	\$ 62,083
Revenue Bonds	7,730,000		495,000	7,235,000	510,000
Financing Obligations	292,788	154,760	153,916	293,632	293,632
Total Long-term Debt	<u>\$ 8,789,871</u>	<u>\$ 154,760</u>	<u>\$ 705,999</u>	<u>\$ 8,238,632</u>	<u>\$ 865,715</u>

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

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.

The county's contribution for FY 2017 was \$198,718, FY 2018 was \$186,372, and FY 2019 was \$246,554.

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

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

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

The county's contribution rate for nonhazardous employees was 21.48 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

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

Once members reach a minimum vesting period of 15 years, 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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Employee Retirement System (Continued)

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, Second Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2019, 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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

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 DBA 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 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, 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 rent of one dollar per year for 20 years. The fiscal court will be responsible for all community center utility expenses which are metered separate from the housing property and prorated amounts for other expenses.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 10. Related Party Transactions

The county paid \$13,894 to a convenient store for fuel for the period February 1, 2019 to June 30, 2019. The convenient store is owned by the county treasurer, who was appointed on February 12, 2019.

Note 11. Interfund Liabilities and Receivables

The general and jail funds had deficit balances at June 30, 2019, which were caused by interfund payables. For fiscal year ended June 30, 2019, the Wolfe County Fiscal Court made transfers from the road fund to the jail fund, to the general fund, and to the payroll revolving account, and from the LGEA fund to the jail fund. In addition to the 2019 transfers, 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:

<u>Effect on Fund Balances</u>	<u>General</u>	<u>Road</u>	<u>Jail</u>	<u>LGEA</u>	<u>Total</u>
Fund Balance	\$ 42,563	\$382,667	\$ 545	\$ 45,938	\$ 471,713
Interfund Receivable		87,404		116,717	204,121
Interfund Liability	(87,404)		(116,717)		(204,121)
Fund Balance - Restated	<u>\$(44,841)</u>	<u>\$470,071</u>	<u>\$(116,172)</u>	<u>\$162,655</u>	<u>\$ 471,713</u>

Note 12. Prior Period Adjustments

The balance of the general fund was increased by \$42,040 for the revolving payroll account deficit balance that was erroneously included in the prior year general fund balance and was decreased \$1,041 for outstanding checks that had not been previously reported, for a net decrease to the general fund beginning balance of \$40,999. The balance of the E-911 fund was decreased \$1 for rounding errors.

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WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

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WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 745,100	\$ 786,056	\$ 809,441	\$ 23,385
In Lieu Tax Payments	18,000	42,562	71,855	29,293
Excess Fees	32,000	38,458	36,478	(1,980)
Licenses and Permits	1,100	1,100	1,145	45
Intergovernmental	223,805	239,876	282,730	42,854
Charges for Services	2,000	2,000	1,747	(253)
Miscellaneous	56,000	106,668	128,012	21,344
Interest	50	50	6	(44)
Total Receipts	<u>1,078,055</u>	<u>1,216,770</u>	<u>1,331,414</u>	<u>114,644</u>
DISBURSEMENTS				
General Government	653,515	730,330	704,936	25,394
Protection to Persons and Property	45,567	52,082	50,695	1,387
General Health and Sanitation		14,744	14,744	
Social Services	2,300	5,733	5,733	
Recreation and Culture		18,723	18,723	
Administration	328,910	427,395	407,650	19,745
Total Disbursements	<u>1,030,292</u>	<u>1,249,007</u>	<u>1,202,481</u>	<u>46,526</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>47,763</u>	<u>(32,237)</u>	<u>128,933</u>	<u>161,170</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	194,514	194,514	278,537	84,023
Transfers To Other Funds	<u>(322,860)</u>	<u>(322,860)</u>	<u>(339,201)</u>	<u>(16,341)</u>
Total Other Adjustments to Cash (Uses)	<u>(128,346)</u>	<u>(128,346)</u>	<u>(60,664)</u>	<u>67,682</u>
Net Change in Fund Balance	(80,583)	(160,583)	68,269	228,852
Fund Balance - Beginning (Restated)	<u>80,583</u>	<u>80,583</u>	<u>(25,706)</u>	<u>(106,289)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (80,000)</u>	<u>\$ 42,563</u>	<u>\$ 122,563</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
In Lieu Tax Payments	\$ 27,000	\$ 27,000	\$ 1,844	\$ (25,156)
Intergovernmental	981,036	981,036	1,300,290	319,254
Miscellaneous	145,000	145,000	147,426	2,426
Interest	400	400	122	(278)
Total Receipts	<u>1,153,436</u>	<u>1,153,436</u>	<u>1,449,682</u>	<u>296,246</u>
DISBURSEMENTS				
Roads	1,056,347	911,370	1,041,341	(129,971)
Debt Service	240,896	122,725	98,863	23,862
Capital Projects		(21,852)		(21,852)
Administration	243,471	243,471	233,954	9,517
Total Disbursements	<u>1,540,714</u>	<u>1,255,714</u>	<u>1,374,158</u>	<u>(118,444)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(387,278)</u>	<u>(102,278)</u>	<u>75,524</u>	<u>177,802</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			154,760	154,760
Transfers From Other Funds			82,000	82,000
Transfers To Other Funds	(194,514)	(194,514)	(276,514)	(82,000)
Total Other Adjustments to Cash (Uses)	<u>(194,514)</u>	<u>(194,514)</u>	<u>(39,754)</u>	<u>154,760</u>
Net Change in Fund Balance	(581,792)	(296,792)	35,770	332,562
Fund Balance - Beginning	581,792	581,792	346,897	(234,895)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 285,000</u>	<u>\$ 382,667</u>	<u>\$ 97,667</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 106,500	\$ 106,500	\$ 101,063	\$ (5,437)
Miscellaneous	95	95	7,296	7,201
Interest	5	5		(5)
Total Receipts	<u>106,600</u>	<u>106,600</u>	<u>108,359</u>	<u>1,759</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	406,800	404,366	371,920	32,446
	<u>18,300</u>	<u>20,734</u>	<u>20,601</u>	<u>133</u>
Total Disbursements	<u>425,100</u>	<u>425,100</u>	<u>392,521</u>	<u>32,579</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(318,500)</u>	<u>(318,500)</u>	<u>(284,162)</u>	<u>34,338</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>313,500</u>	<u>313,500</u>	<u>313,201</u>	<u>(299)</u>
Total Other Adjustments to Cash (Uses)	<u>313,500</u>	<u>313,500</u>	<u>313,201</u>	<u>(299)</u>
Net Change in Fund Balance	(5,000)	(5,000)	29,039	34,039
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>(28,494)</u>	<u>(33,494)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 545</u>	<u>\$ 545</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 91,000	\$ 91,000	\$ 104,198	\$ 13,198
Interest	33	33	38	5
Total Receipts	<u>91,033</u>	<u>91,033</u>	<u>104,236</u>	<u>13,203</u>
DISBURSEMENTS				
General Government	11,200	11,738	11,738	
General Health and Sanitation	27,220	37,336	19,318	18,018
Social Services	7,600	7,600	7,600	
Recreation and Culture		18,500	18,500	
Roads	45,000	108,641	106,188	2,453
Administration	24,322	28,987	16,749	12,238
Total Disbursements	<u>115,342</u>	<u>212,802</u>	<u>180,093</u>	<u>32,709</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(24,309)</u>	<u>(121,769)</u>	<u>(75,857)</u>	<u>45,912</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>9,360</u>	<u>9,360</u>	<u>9,386</u>	<u>26</u>
Total Other Adjustments to Cash (Uses)	<u>9,360</u>	<u>9,360</u>	<u>9,386</u>	<u>26</u>
Net Change in Fund Balance	(14,949)	(112,409)	(66,471)	45,938
Fund Balance - Beginning	<u>14,949</u>	<u>112,409</u>	<u>112,409</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,938</u>	<u>\$ 45,938</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	AREA DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,000	\$ 3,000	\$	\$ (3,000)
Interest	2	2	1	(1)
Total Receipts	<u>3,002</u>	<u>3,002</u>	<u>1</u>	<u>(3,001)</u>
DISBURSEMENTS				
Capital Projects	<u>3,702</u>	<u>3,702</u>		<u>3,702</u>
Total Disbursements	<u>3,702</u>	<u>3,702</u>		<u>3,702</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(700)</u>	<u>(700)</u>	<u>1</u>	<u>701</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(2,996)	(2,996)
Total Other Adjustments to Cash (Uses)			<u>(2,996)</u>	<u>(2,996)</u>
Net Change in Fund Balance	(700)	(700)	(2,995)	(2,295)
Fund Balance - Beginning	<u>700</u>	<u>700</u>	<u>2,995</u>	<u>2,295</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	FIRE PROTECTION FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,000	\$ 2,000	\$ 2,286	\$ 286
Total Receipts	2,000	2,000	2,286	286
DISBURSEMENTS				
Protection to Persons and Property	4,300	4,300	2,317	1,983
Total Disbursements	4,300	4,300	2,317	1,983
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,300)	(2,300)	(31)	2,269
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(2,426)	(2,426)
Total Other Adjustments to Cash (Uses)			(2,426)	(2,426)
Net Change in Fund Balance	(2,300)	(2,300)	(2,457)	(157)
Fund Balance - Beginning	2,300	2,300	2,457	157
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 42,000	\$ 42,000	\$ 75,184	\$ 33,184
Licenses and Permits	4,000	4,000	1,150	(2,850)
Intergovernmental	134,000	134,000	69,094	(64,906)
Miscellaneous	15,000	15,000	317,936	302,936
Total Receipts	<u>195,000</u>	<u>195,000</u>	<u>463,364</u>	<u>268,364</u>
DISBURSEMENTS				
General Health and Sanitation	189,040	219,688	211,513	8,175
Debt Service		159,404	159,404	
Administration	32,600	47,548	34,484	13,064
Total Disbursements	<u>221,640</u>	<u>426,640</u>	<u>405,401</u>	<u>21,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(26,640)</u>	<u>(231,640)</u>	<u>57,963</u>	<u>289,603</u>
Net Change in Fund Balance	(26,640)	(231,640)	57,963	289,603
Fund Balance - Beginning	<u>26,640</u>	<u>26,640</u>	<u>192,839</u>	<u>166,199</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (205,000)</u>	<u>\$ 250,802</u>	<u>\$ 455,802</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SEARCH AND RESCUE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,000	\$ 6,000	\$	\$ (6,000)
Miscellaneous	1,000	1,000	1,000	
Interest	5	5	2	(3)
Total Receipts	<u>7,005</u>	<u>7,005</u>	<u>1,002</u>	<u>(6,003)</u>
DISBURSEMENTS				
Protection to Persons and Property	<u>14,005</u>	<u>14,005</u>		<u>14,005</u>
Total Disbursements	<u>14,005</u>	<u>14,005</u>		<u>14,005</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>1,002</u>	<u>8,002</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(9,386)	(9,386)
Total Other Adjustments to Cash (Uses)			<u>(9,386)</u>	<u>(9,386)</u>
Net Change in Fund Balance	(7,000)	(7,000)	(8,384)	(1,384)
Fund Balance - Beginning	<u>7,000</u>	<u>7,000</u>	<u>8,384</u>	<u>1,384</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 17,000	\$ 17,000	\$ 3,260	\$ (13,740)
Total Receipts	<u>17,000</u>	<u>17,000</u>	<u>3,260</u>	<u>(13,740)</u>
DISBURSEMENTS				
Capital Projects	40,000	30,446	3,260	27,186
Total Disbursements	<u>40,000</u>	<u>30,446</u>	<u>3,260</u>	<u>27,186</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23,000)</u>	<u>(13,446)</u>		<u>13,446</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(51,475)	(51,475)
Total Other Adjustments to Cash (Uses)			<u>(51,475)</u>	<u>(51,475)</u>
Net Change in Fund Balance	(23,000)	(13,446)	(51,475)	(38,029)
Fund Balance - Beginning	<u>23,000</u>	<u>23,000</u>	<u>51,475</u>	<u>28,475</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 9,554</u>	<u>\$ 0</u>	<u>\$ (9,554)</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 77,040	\$ 77,040	\$ 201,112	\$ 124,072
Miscellaneous			6	6
Interest	20	20	39	19
Total Receipts	<u>77,060</u>	<u>77,060</u>	<u>201,157</u>	<u>124,097</u>
DISBURSEMENTS				
Protection to Persons and Property	92,040	153,603	150,503	3,100
Administration	9,000	17,437	9,027	8,410
Total Disbursements	<u>101,040</u>	<u>171,040</u>	<u>159,530</u>	<u>11,510</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(23,980)</u>	<u>(93,980)</u>	<u>41,627</u>	<u>135,607</u>
Net Change in Fund Balance	(23,980)	(93,980)	41,627	135,607
Fund Balance - Beginning (Restated)	<u>23,980</u>	<u>23,980</u>	<u>108,725</u>	<u>84,745</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (70,000)</u>	<u>\$ 150,352</u>	<u>\$ 220,352</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

ANIMAL SHELTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 10,500	\$ 10,500	\$ 11,528	\$ 1,028
Total Receipts	10,500	10,500	11,528	1,028
DISBURSEMENTS				
General Government	11,600	12,154	12,154	
Total Disbursements	11,600	12,154	12,154	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,100)	(1,654)	(626)	1,028
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,126)	(1,126)
Total Other Adjustments to Cash (Uses)			(1,126)	(1,126)
Net Change in Fund Balance	(1,100)	(1,654)	(1,752)	(98)
Fund Balance - Beginning	1,100	1,100	1,752	652
Fund Balance - Ending	\$ 0	\$ (554)	\$ 0	\$ 554

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	PAVILION GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 11,759	\$ 11,759	\$
Total Receipts		11,759	11,759	
DISBURSEMENTS				
Social Services		25,259	25,259	
Total Disbursements		25,259	25,259	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(13,500)	(13,500)	
Net Change in Fund Balance		(13,500)	(13,500)	
Fund Balance - Beginning		13,500	13,500	
Fund Balance - Ending	\$	0	\$ 0	\$ 0

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SPECIAL PROJECTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 1,000,000	\$	\$ (1,000,000)
Interest	160	160	245	85
Total Receipts	<u>160</u>	<u>1,000,160</u>	<u>245</u>	<u>(999,915)</u>
DISBURSEMENTS				
Capital Projects	<u>220,450</u>	<u>1,150,450</u>	<u>120,000</u>	<u>1,030,450</u>
Total Disbursements	<u>220,450</u>	<u>1,150,450</u>	<u>120,000</u>	<u>1,030,450</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(220,290)</u>	<u>(150,290)</u>	<u>(119,755)</u>	<u>30,535</u>
Net Change in Fund Balance	(220,290)	(150,290)	(119,755)	30,535
Fund Balance - Beginning	<u>220,290</u>	<u>220,290</u>	<u>352,271</u>	<u>131,981</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 70,000</u>	<u>\$ 232,516</u>	<u>\$ 162,516</u>

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

UNITED AGAINST DRUGS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	69,388	\$ 75,588	\$ 6,200
Total Receipts		69,388	75,588	6,200
DISBURSEMENTS				
Protection to Persons and Property		70,708	70,708	
Administration		7,680	4,846	2,834
Total Disbursements		78,388	75,554	2,834
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(9,000)	34	9,034
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		10,000	10,000	
Transfers To Other Funds		(10,000)	(10,000)	
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance		(9,000)	34	9,034
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 34	\$ 9,034

WOLFE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

Note 2. Excess of Disbursements Over Appropriations

Road fund roads and capital projects exceeded budgeted appropriations by \$129,971 and \$21,852, respectively and the overall budget by \$118,444.

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WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

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WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land	\$ 1,513,439	\$	\$	\$ 1,513,439
Buildings	12,654,062			12,654,062
Vehicles*	732,721	103,319	144,000	692,040
Equipment*	1,066,646	5,000		1,071,646
Infrastructure	4,986,853			4,986,853
 Total Capital Assets	 <u>\$ 20,953,721</u>	 <u>\$ 108,319</u>	 <u>\$ 144,000</u>	 <u>\$ 20,918,040</u>

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

June 30, 2019

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Vehicles	\$ 2,500	3-25
Equipment	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Restatement of Capital Asset Beginning Balance

The beginning balances of capital assets were restated for vehicles and equipment to remove items under the capitalization threshold, to add or delete items based on the insurance policy, and to reclassify items between vehicles and equipment. The beginning balance of vehicles was decreased \$389,612 and the beginning balance of equipment was increased \$385,739.

**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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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Raymond Banks, Wolfe County Judge/Executive
The Honorable Dennis Brooks, Former 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, 2019, 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 December 10, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-009 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-006, 2019-007, 2019-008, and 2019-010 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wolfe County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, and 2019-009.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

December 10, 2019

**WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 A Schedule Of Expenditures Of Federal Awards (SEFA) Was Not Prepared

This is a repeat finding and was included in the prior year audit report as finding 2018-005. The fiscal court received and expended federal grant funds during fiscal year 2019. A Schedule of Expenditures of Federal Awards (SEFA) detailing these federal grants was not prepared.

The fiscal court was aware of the requirement but failed to prepare the SEFA. Failure to prepare the SEFA increases the risk that a required separate audit of federal funds will not occur when federal expenditures exceed \$750,000. Not properly reporting federal funds increases the possibility of undetected errors or misappropriation and potential loss of future federal grant funding.

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 on page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts.

We recommend the fiscal court maintain accurate and complete records for all federal grants and prepare a SEFA at the end of each fiscal year.

Views of Responsible Official and Planned Corrective Action:

February 2019 new Treasurer was appointed. Fiscal Court had not received any federal money due to prior errors of former administration. This report had not been completed for the past 2 years therefore we had nothing to reference, along with the unknown of Federal Awards prior to January. We plan to ensure required reports on submitted correctly in the future.

2019-002 The Fiscal Court Lacks Adequate Controls Over Interfund Transfers

This is a repeat finding and was included in the prior year audit report as finding 2018-012. The fiscal court minutes indicate transfers are presented to the court monthly. However, the fiscal court appears to give a blanket approval for transfers each month without reviewing a list of individual transfer amounts.

The fiscal court lacks adequate controls and oversight for interfund transfers. As a result, transfers may be made without the specific approval of the fiscal court, which increases the risk of undetected errors, fraud, misstatements, or other non-compliance issues. As a result of undetected errors in interfund transfers, we noted interfund liabilities and receivables that will increase the interfund liabilities and receivable amounts reported in the prior year audit report. The road fund transferred \$20,000 to the payroll revolving account that did not get returned by year end. Since the revolving payroll account does not have a revenue source other than transfers from other funds, this repayment will have to be made from the general fund and will be reported as a liability of the general fund.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires a court order for all transfers. The funds and amount for each individual transfer should be recorded in the official minutes of the fiscal court.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-002 The Fiscal Court Lacks Adequate Controls Over Interfund Transfers (Continued)

In addition, strong internal controls prohibit the transfer of monies from restricted funds since this increases the risk of inappropriate use. Under the regulatory basis of accounting, fund balances on the financial statement are not adjusted for the unpaid liabilities and receivables, however, the liability amounts are still owed.

We recommend the fiscal court implement adequate controls over transfers to ensure all specific amounts are approved and that all transfers from restricted funds are used for appropriate purposes to prevent interfund liabilities. We further recommend the amounts due to the road fund be repaid as funds become available.

Views of Responsible Official and Planned Corrective Action:

This issue has been corrected beginning May 2019. Any and all interfund transfers are now listed separate on the accounts payable for approval by the Fiscal Court.

2019-003 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

This is a repeat finding and was included in the prior year audit report as finding 2018-013. The treasurer did not report public properties corporation fund debt principal outstanding of \$7,235,000 and did not report lease principal outstanding of \$1,003,632 on the fourth quarter financial report.

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

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

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

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

Views of Responsible Official and Planned Corrective Action:

February 2019 through April 2019 was spent recreating the Fiscal Court Accounting system. During this time we were in the process of creating new budgets following DLG timetable recommendations. Due to being inexperienced, many errors that may have occurred was an oversight. We feel confident these issues will be less likely to occur in the future as time and experience will correct them.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-004 The Fiscal Court Did Not Establish Adequate Controls Over The Justice Center Corporation Fund

The fiscal court did not maintain adequate controls over the Justice Center Corporation Fund. No financial statements were prepared and no information regarding the activity in the fund was submitted to the fiscal court for review. The treasurer was unaware he had to prepare a financial statement for the Justice Center Corporation Fund. This fund is for reporting of debt financing for the fiscal court and not included on the quarterly report, per Department for Local Government guidelines.

By not preparing an annual financial statement, the fiscal court is not aware of the transactions that are occurring relating to the receipts and disbursements of the unbudgeted fund. This could result in fraud, errors, or undetected misstatements. The fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation Fund. The fiscal court should establish adequate controls over the fund so that proper records are maintained, and complete and accurate information is available for review.

We recommend the county treasurer reconcile this account and prepare a financial statement for the Justice Center Corporation Fund.

Views of Responsible Official and Planned Corrective Action:

This is not a budgeted fund, current treasurer was unaware this needed to be monitored by the Fiscal Court. No previous financial statements were located. We plan to create a financial statement to monitor this fund. Due to being inexperienced, many errors that may have occurred was an oversight. We feel confident these issues will be less likely to occur in the future as time and experience will correct them.

2019-005 Road Funds Were Used To Pay The Full Amount Of Insurance Premiums

This is a repeat finding and was included in the prior year audit report as finding 2018-004. During fiscal year 2019, the fiscal court expended road funds to pay the full amount of premiums, totaling \$176,953, to Kentucky Association of Counties (KACO) for the county's liability insurance, workers compensation, and unemployment insurance. These premiums were paid entirely from the road fund because other funds had negative fund balances. As a result, the county did not use road funds appropriately.

It would be acceptable if the road fund had paid a portion of the insurance invoice, as counties often prorate the premiums to each participating fund. However, road funds are not permitted to be used for general government purposes and should not pay the full insurance premiums for the county. Road funds are restricted and are required to be expended for road related purposes, except for the amount approved by the Department for Local Government on the road cost allocation worksheet.

We recommend the fiscal court prorate the insurance premium among participating funds, such as the general fund, jail fund, solid waste fund, and other participating funds.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-005 Road Funds Were Used To Pay The Full Amount Of Insurance Premiums (Continued)

Views of Responsible Official and Planned Corrective Action:

July 2018 the General fund was negative \$24,665, the Jail fund was negative \$28,494. Funds coming into these accounts were not sufficient enough to cover the debt along with the premium at the time. Due to this issue the Fiscal Court recognized it would be best to pay the bill from the Road fund which had sufficient money to cover the premium. The Fiscal Court was not fully aware the transaction was not allowed, and corrected this in July 2019.

2019-006 The Fiscal Court Failed To Remit A Share Of The National Forestry Receipts To School District

This is a repeat finding and was included in the prior year audit report as finding 2018-006. The fiscal court received one check totaling \$1,844, in national forestry receipts in fiscal year 2019. A portion of that amount was to be remitted to the Wolfe County Board of Education. The fiscal court failed to remit funds to the board of education and this error was undetected by management. As a result, the board of education did not receive their share of the national forestry receipts.

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

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

Views of Responsible Official and Planned Corrective Action:

This is an oversight issue.

2019-007 The Fiscal Court Lacked Adequate Segregation Of Duties And Internal Controls Over The Payroll Process

This is a repeat finding and was included in the prior year audit report as finding 2018-010. During our testing of payroll, we noted the following:

- Payroll checks for the first half of the audit period were only signed by one individual, either the former county judge/executive or the former treasurer but not both.
- State tax withholdings for July 2018 to January 2019 were not paid timely for which \$232 in interest was paid.
- Payroll transfers from the general, road, jail, LGEA, and solid waste funds to the revolving payroll account were not made timely for July to December 2019. Road fund monies totaling \$8,500 were transferred to the payroll revolving account to cover the deficit created by untimely transfers, but was not returned.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-007 The Fiscal Court Lacked Adequate Segregation Of Duties And Internal Controls Over The Payroll Process (Continued)

The fiscal court lacked adequate segregation of duties and internal controls over payroll. The former treasurer handled all aspects of the payroll process and there appeared to be no independent review of payroll by anyone other than the preparer.

The payroll issues noted above could have been prevented, detected, or corrected timely had proper internal controls and segregation of duties existed. The road fund transfer that was not returned by the revolving payroll account creates an interfund liability of \$8,500 from the general fund to the road fund. Since the revolving payroll account has no source of revenue except transfers from various funds, the liability must be paid from the general fund.

Good internal controls require different individuals to process, calculate, authorize, record, and reconcile payroll information. One individual should not have sole control over the entire process. If segregation of duties is not possible, strong management oversight and a documented review process should be implemented to offset the risk of inadequate segregation of duties. Additionally, KRS 68.020(1) requires, “[a]ll warrants for the payment of funds from the county treasury shall be co-signed by the county treasurer and the county judge/executive.”

Strong internal controls and good financial management practices require transfers to the revolving payroll account be made timely so that all withholdings, deductions, taxes, matching contributions, etc. can be paid timely. Furthermore, KRS 141.330(1) states, “[e]very employer required to deduct and withhold tax under KRS 141.310 and 141.315 shall, for the quarterly period beginning on the first day of January of each year, and for each quarterly period thereafter, on or before the last day of the month following the close of each quarterly period make a return and report to the department the tax required to be withheld under KRS 141.310 and 141.315, unless the employer is permitted or required to report monthly or annually. Such employer shall, on or before the last day of the month following the close of each quarterly period, pay over to the department the tax required to be withheld under KRS 141.310 and 141.315; Provided, however, That the department may, by regulations, require employers to remit the tax withheld under KRS 141.310 and 141.315 within a reasonable time after the payroll period or other period. A return shall be filed by every employer making payment of wages even though no tax has been withheld. (2) If the department, in any case, has reason to believe that the collection of the tax.”

We recommend the fiscal court review payroll procedures and implement effective internal controls, review procedures, and oversight to ensure payroll is accounted for correctly and all applicable rules, regulations, and statutes are followed.

Views of Responsible Official and Planned Corrective Action:

January 2019 new Judge Executive was elected. February 2019 new Treasurer was appointed. Since then, the entire payroll process has been completely revamped. All checks are required to have 2 signatures, and withholdings are paid up to date and being submitted properly. Electronic payroll reports are created to request disbursement checks for required funds to be deposited in the payroll revolving account before payroll checks are issued. Treasurer and CFO each have segregated duties throughout the process to ensure payroll is done correctly.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-008 The Fiscal Court Is Not Monitoring The Chop Shop Agreement

This is a repeat finding and was included in the prior year audit report as finding 2018-014. In January 2013, the county entered into a loan agreement with J.S.W. Farm, LLC DBA The Chop Shop for the purchase of the land and building pad located in the Wolfe -Morgan Industrial Park. The agreement requires ten annual payments of \$47,500 beginning 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 15 full-time employees for calendar year 2014 and 2015, increasing to thirty 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.

The prior audit finding noted that the fiscal court had not determined if The Chop Shop had created and maintained the required employment levels. No evidence was provided that the fiscal court was attempting to monitor The Chop Shop's compliance with the terms of the loan agreement for fiscal year 2019.

The fiscal court may be owed principal and interest from The Chop Shop if employment levels have not been verified and documented per the terms of the agreement.

The loan agreement outlines provisions for which the principal and interest can be forgiven. If compliance with these requirements cannot be documented by The Chop Shop and the Wolfe County Fiscal Court, the fiscal court should seek loan re-payment in accordance with the agreement. The fiscal court should be requesting payroll information at least annually to determine compliance with the agreement.

We recommend the fiscal court review their agreement with The Chop Shop and put in place a process to monitor compliance with the terms of the agreement. We further recommend the fiscal court determine if The Chop Shop owes principal and interest to the fiscal court.

Views of Responsible Official and Planned Corrective Action:

The County receives payroll tax from The Chop Shop showing they do have employees. County Judge Executive has recently met with owners of JSW Chop Shop to discuss the issue. It was verbally discussed the number of employees employed by the Chop Shop and would appear they are in compliance. The Fiscal Court is in the process of creating a system to effectively monitor the compliance of this agreement in the future.

2019-009 The Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements

The fiscal court entered into a lease agreement in the amount of \$154,760 for the purchase of road equipment. The transactions were not reflected in the county's bank activity, budget process, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity. The treasurer was not aware that this transaction should be reflected on the county's financial information. As a result, the fiscal court failed to properly budget and record \$154,760 in debt related receipts and disbursements for the fiscal year.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-009 The Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements
 (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual*, which requires all borrowed money that is not part of the original budget be amended into the budget and be properly reflected on the financial report. Furthermore, KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby.”

We recommend the fiscal court comply with regulatory reporting requirements by budgeting and recording all borrowed money, including those transactions handled by a third-party lender.

Views of Responsible Official and Planned Corrective Action:

The purchase of this equipment is created by the Fiscal Court but the County never receives the money in any account nor does the County issue a disbursement check from any fund. This purchase is handled by the lender of the money and the vendor of the equipment. The lease payments are budgeted in the budget but the purchase itself is not. We were not aware this purchase should be logged into our accounting software. However, since no transactions exist in our bank records, logging this transaction into our accounting software would create an issue during reconciliation. We will look further into the matter to find a solution to prevent future issues.

2019-010 The Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For
 The Budget Process

Numerous budgetary issues were noted for fiscal year 2019:

- The county’s fourth quarter report included a budgeted amount of \$25,000 for the road fund that did not appear on the original budget. The former treasurer erroneously recorded this amount on the quarterly report and erroneously recorded line item budget transfers out of this account code even though there was no budgeted amount to transfer.
- The revolving grant account had \$72,735 of activity for the fiscal year but this fund was not part of the original budget nor were budget amendments prepared and submitted to account for the activity in this fund.
- Budget amendments for the fiscal year were not filed until May 2019 even though activity that required budget amendment occurred throughout the fiscal year.
- The fiscal court did not comply with 65 percent spending limits for first half of the fourth year for the Pavilion Fund and the United Against Drugs Fund. These funds had expenditures totaling \$6,348 and \$7,981, respectively, as of December 31, 2018. The budget amendments for these funds were not filed until May 2019.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-010 The Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process (Continued)

The fiscal court did not have effective internal controls, review procedures, and oversight for the budget process. Inadequate controls over the budget process resulted in the undetected errors noted above. Additionally, the fiscal court is not in compliance with statutes regarding budget preparation, budget amendments, and spending limits for the first half of the fourth year. Furthermore, the fiscal court relies on information presented in the quarterly financial reports and inaccurate information could lead to improper decision making.

KRS 68.210 states, “[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The Department for Local Government’s *County Budget Preparation and State Local Finance Officer Policy Manual* requires county officials to submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and expenditures. The fourth quarter financial report must agree to the original budget and budget amendments submitted to and approved by the Department for Local Government.

Regarding budget amendments, KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.” Budget amendments should be prepared when unanticipated revenues are received so that the funds can be expended without consequence.

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

Limitations on expenditures in the first half of each fourth year are outlined in KRS 68.310: “Except in case of an emergency concerning which the county judge/executive, the fiscal court and the state local finance officer unanimously agree in writing, and, except for encumbrances or expenditures from the county’s road fund, no county shall, during the first half of any fourth fiscal year, beginning with the fiscal year 1998-1999, encumber or expend more than sixty-five percent (65%) in any fund budgeted for that fiscal year, not counting as current funds any budgetary allotments for or payments of principal and interest of bonded indebtedness.”

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget and budget amendments and that all funds be budgeted in accordance with KRS 68.300. Furthermore, we recommend timely budget amendments be submitted for unanticipated receipts. Finally, we recommend the fiscal court adhere to limitations on expenditures in the first half of each fourth year.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2019
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-010 The Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For
The Budget Process (Continued)

Views of Responsible Official and Planned Corrective Action:

February 2019 new Treasurer was appointed. No receipts had been posted to the system to keep accurate data on financials since March 2018. Therefore February 2019 through April 2019 was spent recreating the Fiscal Court Accounting system. As noted in the comment, amendments were not submitted until May of 2019, during this time we were also in the process of creating new budgets following DLG timetable recommendations. Due to being inexperienced, many errors that may have occurred was an oversight. We feel confident these issues will be less likely to occur in the future as time and experience will correct them.

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

WOLFE COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM

WOLFE COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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.



County Judge/Executive



County Treasurer