REPORT OF THE AUDIT OF THE WOLFE COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

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, 2025, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Wolfe County Fiscal Court, for the year ended June 30, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

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 section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Wolfe County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Wolfe County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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 and pervasive.

Responsibilities of Management for the Financial Statement

Wolfe County Fiscal Court's management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wolfe County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 Wolfe County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

To the People of Kentucky
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Members of the Wolfe County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Wolfe County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary 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 are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2026, 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 solely 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 effectiveness of 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:

2025-001	The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements
2025-002	The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Solid Waste Collections And Tourism Transient Tax Collections
2025-003	The Wolfe County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements
2025-004	Fourth Quarter Financial Statement Long-Term Liabilities Were Materially Misstated

Respectfully submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 16, 2026

WOLFE COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Raymond Banks	County Judge/Executive
Arthur Vest	Magistrate
Gene Booth	Magistrate
James Banks	Magistrate

Other Elected Officials:

Stephen Johnson	County Attorney
Albert Lykins	Jailer
Corinna Groves	County Clerk
Debbie Sparks	Circuit Court Clerk
Greg Banks	Sheriff
Justina Smith	Property Valuation Administrator
James Frank Porter	Coroner

Appointed Personnel:

Porter Harris	County Treasurer
Kelli Ratliff Evans	Chief Financial Officer

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	$ 1,147,406	$	$	$
In Lieu Tax Payments	44,354	3,660		
Excess Fees	139,496			
Licenses and Permits	1,543			
Intergovernmental	328,966	2,085,841	88,179	102,423
Charges for Services	19,781			
Miscellaneous	121,255	292,812	544	
Interest				
Total Receipts	1,802,801	2,382,313	88,723	102,423
DISBURSEMENTS				
General Government	1,113,791		9,167	16,400
Protection to Persons and Property	51,098		445,458	15,319
General Health and Sanitation	38,342			56,804
Social Services	13,684			
Recreation and Culture	3,015			
Roads		1,900,690		
Debt Service		291,148		302,025
Capital Projects				
Administration	458,995	158,260	25,421	27,352
Total Disbursements	1,678,925	2,350,098	480,046	417,900
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	123,876	32,215	(391,323)	(315,477)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		414,723		
Transfers From Other Funds	1,037,274	517,422	390,900	302,025
Transfers To Other Funds	(1,275,817)	(962,814)		(34,096)
Total Other Adjustments to Cash (Uses)	(238,543)	(30,669)	390,900	267,929
Net Change in Fund Balance	(114,667)	1,546	(423)	(47,548)
Fund Balance - Beginning	799,364	115	4,083	81,274
Fund Balance - Ending	$ 684,697	$ 1,661	$ 3,660	$ 33,726
Composition of Fund Balance				
Bank Balance	$ 693,960	$ 3,996	$ 3,746	$ 33,726
Less: Outstanding Checks	(9,263)	(2,335)	(86)	
Certificates of Deposit				
Fund Balance - Ending	$ 684,697	$ 1,661	$ 3,660	$ 33,726

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, 2025
(Continued)

Budgeted Funds						
Fire Protection Fund	Solid Waste Fund	Clerk's Document Storage Fee Fund	E-911 Fund	Opioid Settlement Fund	College Fund	Revolving Grant Fund
$ 2,320	$	$	$ 76,062	$	$	$
	1,800					
	167,380		231,838			
	172,453					
	244,061	12,590	281	73,117		
2,320	585,694	12,590	308,181	73,117		
		1,541				
2,317			314,962			
	609,346					
	232,793					
					20,000	
	68,600		44,748			
2,317	910,739	1,541	359,710		20,000	
3	(325,045)	11,049	(51,529)	73,117	(20,000)	
	220,461					
			65,470			
			(40,364)			
	220,461		25,106			
3	(104,584)	11,049	(26,423)	73,117	(20,000)	
2,275	195,220	4,011	59,424	240,563	500,000	
$ 2,278	$ 90,636	$ 15,060	$ 33,001	$ 313,680	$ 480,000	$ 0
$ 2,278	$ 343,276	$ 15,060	$ 33,001	$ 313,680	$ 480,000	$
	(252,640)					
$ 2,278	$ 90,636	$ 15,060	$ 33,001	$ 313,680	$ 480,000	$ 0

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, 2025
(Continued)

	Budgeted Funds			
	Tourism Fund	American Rescue Plan Act (ARPA) Fund	Special Projects - Water Tank Fund	Citizens United Against Drugs Fund
RECEIPTS				
Taxes	$ 285,759	$	$	$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental				130,813
Charges for Services				
Miscellaneous				4,420
Interest			4,643	
Total Receipts	285,759		4,643	135,233
DISBURSEMENTS				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services				124,128
Recreation and Culture	241,800			
Roads				
Debt Service				
Capital Projects				
Administration				12,254
Total Disbursements	241,800			136,382
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	43,959		4,643	(1,149)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	43,959		4,643	(1,149)
Fund Balance - Beginning	279	131,978	108,861	2,670
Fund Balance - Ending	$ 44,238	$ 131,978	$ 113,504	$ 1,521
Composition of Fund Balance				
Bank Balance	$ 44,238	$ 131,978	$ 18	$ 1,591
Less: Outstanding Checks				(70)
Certificates of Deposit			113,486	
Fund Balance - Ending	$ 44,238	$ 131,978	$ 113,504	$ 1,521

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, 2025
(Continued)

Unbudgeted Fund	
Public Properties Corporation Fund	Total Funds
$	$ 1,511,547
	48,014
	139,496
	3,343
801,700	3,937,140
	192,234
	749,080
754	5,397
802,454	6,586,251
	1,140,899
	829,154
	704,492
	137,812
	244,815
	1,900,690
801,700	1,627,666
	20,000
	795,630
801,700	7,401,158
754	(814,907)
	635,184
	2,313,091
	(2,313,091)
	635,184
754	(179,723)
2,622	2,132,739
$ 3,376	$ 1,953,016
$ 3,376	$ 2,103,923
	(264,394)
	113,486
$ 3,376	$ 1,953,016

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

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WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

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 for and on behalf of, and as the agency and instrumentality of 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.

The Wolfe County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they no longer are required components of the reporting entity. Audits of the Wolfe Count Tourism Commission, if available, can be obtained from the Wolfe County Fiscal Court, 16 Court Street, Campton, Kentucky 41301.

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.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

Fire Protection Fund - The primary purpose of this fund is to account for the receipt of fire acres tax paid and disbursements for fire protection distributed to other governmental entities.

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

Clerk's Document Storage Fee Fund - The primary purpose of this fund is to account for document storage fees collected by the county clerk that are transferred to the fiscal court. These funds are used at the request of the county clerk for permanent storage and access to records in the county clerk's office per statute.

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.

Opioid Settlement Fund - The primary purpose of this fund is to account for distributions of a class action lawsuit settlement related to the opioid epidemic, which is the only source of revenue for this fund. Disbursements from this fund are for expenses the entity incurs as a result of the opioid epidemic and substance use disorder.

College Fund - The primary purpose of this fund is to account for loans, grants, and donations received for the purpose of constructing a branch of Hazard Community and Technical College in Wolfe County. This will be a drawdown fund used to pay contractors as work is completed.

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

Tourism Fund - The primary purpose of this fund is to account for tourism transient tax collections. The receipts from this fund are to be used to market and promote tourism within Wolfe County, Kentucky.

American Rescue Plan Act (ARPA) Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund are federal grants received under the American Rescue Plan Act.

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Organizations and Joint Ventures

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

Wolfe County Search & Rescue

Wolfe County Search & Rescue is a volunteer organization that provides services to the Red River Gorge area, including Wolfe County Emergency Management, for search and rescue activities. Due to the reliance on donations and volunteers for operations, the Wolfe County Fiscal Court provides financial support in the form of insurance coverage for acquired assets so that revenues can be applied to operations of the organization rather than administrative costs in the interest of public service, health, and safety.

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

Wolfe County Animal Shelter, Inc.

Wolfe County Animal Shelter, Inc. is a not-for-profit entity established to provide support for animal welfare efforts in the community. This entity provides financial support to the Wolfe County Animal Shelter. Donations to the shelter are received by Wolfe County Animal Shelter, Inc. so that donations may be tax deductible due to the not-for-profit status of Wolfe County Animal Shelter, Inc. Funds received by Wolfe County Animal Shelter, Inc. are intended to provide operating support to the shelter in the form of food, equipment, veterinary care, medicines, cleaning supplies, etc.

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Organizations and Joint Ventures (Continued)

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 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.

On December 1, 2000, the corporation issued $6,295,000 First Mortgage Revenue Bonds, Series 2000. In 2012, the bonds were refunded with $5,570,000 of Kentucky Bond Corporation Financing Program Revenue Bonds, 2012 First Series D that are scheduled to mature in February 2032.

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

Under the terms of the financing agreements, repayment schedules are established to enable the issuer to meet the principal and interest requirements of the related bonds. No participant is, however, responsible for the failure of any other participant to pay its obligations under a financing agreement. Each participating county covenants to meet its proportionate share of the debt service requirements on the bonds as follows: 40% for Lee County, 22% for Owsley County, and 38% for Wolfe County. The principal amount outstanding as of June 30, 2024, attributable to Wolfe County was $2,115,000.

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

Wolfe-Morgan Multi-County Industrial Development Authority

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

WOLFE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, 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 2025.

	General Fund	Road Fund	LGEA Fund	911 Fund	Total Transfers In
General Fund	$	$ 962,814	$ 34,096	$ 40,364	$ 1,037,274
Road Fund	517,422				517,422
Jail Fund	390,900				390,900
LGEA Fund	302,025				302,025
911 Fund	65,470				65,470
Total Transfers Out	$ 1,275,817	$ 962,814	$ 34,096	$ 40,364	$ 2,313,091

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. Commitments – Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

A. Leases – Lessor

The Wolfe County Fiscal Court was committed to the following lease agreements as lessor as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
The Chop Shop	10/1/2021	60 months	Monthly	10/1/2026	$ 10,000	$ 15,000
AOC	8/24/2016	168 months	Semi-Annual	8/24/2030	Varies	$ 3,680,000

Note 4. Commitments – Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA) (Continued)

B. Leases – Lessee

The Wolfe County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Kubota Tractor	4/22/2024	48 months	Monthly	4/22/2028	$ 1,204	$ 39,178
Copier	6/28/2024	60 months	Monthly	6/28/2029	$ 298	$ 14,312

C. Subscription-Based Information Technology Arrangements (SBITA)

The Wolfe County Fiscal Court was committed to the following SBITAs as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Election Software	2/17/2025	48 months	Annual	2/17/2027	$ 7,320	$ 7,320

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Blacktop

On October 9, 2013, the Wolfe County Fiscal Court entered into a $1,000,000 direct borrowing agreement with the Kentucky Association of Counties Leasing Trust to blacktop county roads. The lease agreement requires monthly payments, at an interest rate of 3.84% per annum, with a final payment due on January 20, 2029. In the event of default, a direct tax shall be levied annually in an amount sufficient to pay the financing obligation lease payments when and as due. The balance of the lease was paid on May 15, 2025.

2. Truck – Road Department

On August 1, 2024, the county entered into an 18-month direct borrowing agreement with Kentucky Association of Counties Leasing Trust totaling $198,484 for a truck used by the road department. The agreement called for a fixed interest rate of 5.35% and requires monthly interest payments with one principal payment due at the end of the agreement. The county plans to auction this equipment near the end of the agreement and use the proceeds to pay off the principal due. In the event of default, the county would have to immediately return the equipment, which was used as collateral for the agreement. The balance of the lease was paid on April 1, 2025.

3. Truck – Solid Waste Department

On August 1, 2024, the county entered into an 18-month direct borrowing agreement with Kentucky Association of Counties Leasing Trust totaling $220,461 for a truck used by the solid waste department. The agreement called for a fixed interest rate of 5.35% and requires monthly interest payments with one principal payment due at the end of the agreement. The county plans to auction this equipment near the end of the agreement and use the proceeds to pay off the principal due. In the event of default, the county would have to immediately return the equipment, which was used as collateral for the agreement. The balance of the lease was paid on June 23, 2025.

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Truck – Road Department

On April 24, 2025, the county entered into an 18-month direct borrowing agreement with Kentucky Association of Counties Leasing Trust totaling $216,239 for a truck used by the road department. The agreement called for a fixed interest rate of 5.749% and requires monthly interest payments with one principal payment due at the end of the agreement. The county plans to auction this equipment near the end of the agreement and use the proceeds to pay off the principal due. In the event of default, the county would have to immediately return the equipment, which was used as collateral for the agreement. The balance of the lease as of June 30, 2025, was as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 0	$ 11,396
2027	216,239	6,216
Totals	$ 216,239	$ 17,612

B. Other Debt

1. Bonds

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 in 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, as well as annual principal payments on April 1 beginning April 1, 2022, with a final maturity date of April 1, 2030. As of June 30, 2025, the principal outstanding is $3,680,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 690,000	$ 110,100
2027	720,000	82,500
2028	735,000	68,100
2029	755,000	46,050
2030	780,000	23,400
Totals	$ 3,680,000	$ 330,150

Note 5. Long-term Debt (Continued)

C. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings	$ 367,500	$ 635,184	$ 786,445	$ 216,239	$ 11,396
Other Debt	4,345,000		665,000	3,680,000	690,000
Total Long-term Debt	$ 4,712,500	$ 635,184	$ 1,451,445	$ 3,896,239	$ 701,396

D. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	$ 690,000	$ 110,100	$	$ 11,396
2027	720,000	82,500	216,239	6,216
2028	735,000	68,100		
2029	755,000	46,050		
2030	780,000	23,400		
Totals	$ 3,680,000	$ 330,150	$ 216,239	$ 17,612

Note 6. Employee Retirement System

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

The county's contribution for FY 2023 was $389,887, FY 2024 was $374,236, and FY 2025 was $309,610.

Note 6. Employee Retirement System (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust 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% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by CERS Board of Trustees 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% 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 19.71%.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

Once members reach a minimum vesting period of 15 years, they earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

Tier 2 member benefits are covered by KRS 78.5536. 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 Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA 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.

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Annual Financial Report and Proportionate Share Audit Report

KPPA 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 Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646. Some reports may also be obtained online at https://kyret.ky.gov.

KPPA 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 7. Deferred Compensation

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

These deferred compensation plans 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, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2025, the Wolfe County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Commitments and Contingencies

Based on inquiry of management and the fiscal court's legal counsel, the county is involved in a lawsuit. While it may not be significant, it could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 1,084,300	$ 1,084,300	$ 1,147,406	$ 63,106
In Lieu Tax Payments			44,354	44,354
Excess Fees	40,000	40,000	139,496	99,496
Licenses and Permits	1,300	1,300	1,543	243
Intergovernmental	313,425	313,425	328,966	15,541
Charges for Services	21,700	21,700	19,781	(1,919)
Miscellaneous	109,500	109,500	121,255	11,755
Interest				
Total Receipts	1,570,225	1,570,225	1,802,801	232,576
DISBURSEMENTS				
General Government	960,749	1,163,725	1,113,791	49,934
Protection to Persons and Property	57,225	72,304	51,098	21,206
General Health and Sanitation	31,000	38,881	38,342	539
Social Services	18,500	17,885	13,684	4,201
Recreation and Culture	2,400	3,015	3,015	
Administration	1,206,380	942,945	458,995	483,950
Total Disbursements	2,276,254	2,238,755	1,678,925	559,830
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(706,029)	(668,530)	123,876	792,406
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	257,944	257,944	1,037,274	779,330
Transfers To Other Funds	(401,915)	(401,915)	(1,275,817)	(873,902)
Total Other Adjustments to Cash (Uses)	(143,971)	(143,971)	(238,543)	(94,572)
Net Change in Fund Balance	(850,000)	(812,501)	(114,667)	697,834
Fund Balance - Beginning	850,000	850,000	799,364	(50,636)
Fund Balance - Ending	$ 0	$ 37,499	$ 684,697	$ 647,198

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	$ 25,000	$ 25,000	$ 3,660	$ (21,340)
Intergovernmental	1,795,004	1,943,729	2,085,841	142,112
Miscellaneous	226,000	282,612	292,812	10,200
Total Receipts	2,046,004	2,251,341	2,382,313	130,972
DISBURSEMENTS				
Roads	1,297,622	1,502,959	1,900,690	(397,731)
Debt Service	301,000	301,000	291,148	9,852
Administration	196,938	196,938	158,260	38,678
Total Disbursements	1,795,560	2,000,897	2,350,098	(349,201)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	250,444	250,444	32,215	(218,229)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			414,723	414,723
Transfers From Other Funds			517,422	517,422
Transfers To Other Funds	(257,944)	(257,944)	(962,814)	(704,870)
Total Other Adjustments to Cash (Uses)	(257,944)	(257,944)	(30,669)	227,275
Net Change in Fund Balance	(7,500)	(7,500)	1,546	9,046
Fund Balance - Beginning	7,500	7,500	115	(7,385)
Fund Balance - Ending	$ 0	$ 0	$ 1,661	$ 1,661

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 95,300	$ 95,300	$ 88,179	$ (7,121)
Miscellaneous	250	250	544	294
Total Receipts	95,550	95,550	88,723	(6,827)
DISBURSEMENTS				
General Government	8,750	9,167	9,167	
Protection to Persons and Property	461,900	461,458	445,458	16,000
Administration	26,815	26,840	25,421	1,419
Total Disbursements	497,465	497,465	480,046	17,419
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(401,915)	(401,915)	(391,323)	10,592
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	401,915	401,915	390,900	(11,015)
Total Other Adjustments to Cash (Uses)	401,915	401,915	390,900	(11,015)
Net Change in Fund Balance			(423)	(423)
Fund Balance - Beginning			4,083	4,083
Fund Balance - Ending	$ 0	$ 0	$ 3,660	$ 3,660

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 132,775	$ 132,775	$ 102,423	$ (30,352)
Miscellaneous		302,025		(302,025)
Total Receipts	132,775	434,800	102,423	(332,377)
DISBURSEMENTS				
General Government	16,400	16,400	16,400	
Protection to Persons and Property	19,100	19,100	15,319	3,781
General Health and Sanitation	59,200	59,200	56,804	2,396
Social Services	1,000	1,000		1,000
Roads	49,945	49,945		49,945
Debt Service		302,025	302,025	
Administration	37,130	37,130	27,352	9,778
Total Disbursements	182,775	484,800	417,900	66,900
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(50,000)	(315,477)	(265,477)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			302,025	302,025
Transfers To Other Funds			(34,096)	(34,096)
Total Other Adjustments to Cash (Uses)			267,929	267,929
Net Change in Fund Balance	(50,000)	(50,000)	(47,548)	2,452
Fund Balance - Beginning	50,000	50,000	81,274	31,274
Fund Balance - Ending	$ 0	$ 0	$ 33,726	$ 33,726

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	FIRE PROTECTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 2,500	$ 2,500	$ 2,320	$ (180)
Total Receipts	2,500	2,500	2,320	(180)
DISBURSEMENTS				
Protection to Persons and Property	2,400	2,400	2,317	83
Administration	2,319	2,319		2,319
Total Disbursements	4,719	4,719	2,317	2,402
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,219)	(2,219)	3	2,222
Net Change in Fund Balance	(2,219)	(2,219)	3	2,222
Fund Balance - Beginning	2,219	2,219	2,275	56
Fund Balance - Ending	$ 0	$ 0	$ 2,278	$ 2,278

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	$ 1,200	$ 1,200	$ 1,800	$ 600
Intergovernmental	175,000	175,000	167,380	(7,620)
Charges for Services	144,500	144,500	172,453	27,953
Miscellaneous	245,500	245,500	244,061	(1,439)
Total Receipts	566,200	566,200	585,694	19,494
DISBURSEMENTS				
General Health and Sanitation	362,072	439,492	609,346	(169,854)
Debt Service	233,000	233,332	232,793	539
Administration	87,248	88,596	68,600	19,996
Total Disbursements	682,320	761,420	910,739	(149,319)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(116,120)	(195,220)	(325,045)	(129,825)
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			220,461	220,461
Total Other Adjustments to Cash (Uses)			220,461	220,461
Net Change in Fund Balance	(116,120)	(195,220)	(104,584)	90,636
Fund Balance - Beginning	116,120	195,220	195,220	
Fund Balance - Ending	$ 0	$ 0	$ 90,636	$ 90,636

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	CLERK'S DOCUMENT STORAGE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 15,000	$ 15,000	$ 12,590	$ (2,410)
Total Receipts	15,000	15,000	12,590	(2,410)
DISBURSEMENTS				
General Government	20,000	20,000	1,541	18,459
Total Disbursements	20,000	20,000	1,541	18,459
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,000)	(5,000)	11,049	16,049
Net Change in Fund Balance	(5,000)	(5,000)	11,049	16,049
Fund Balance - Beginning	5,000	5,000	4,011	(989)
Fund Balance - Ending	$ 0	$ 0	$ 15,060	$ 15,060

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 78,000	$ 78,000	$ 76,062	$ (1,938)
Intergovernmental	140,000	235,251	231,838	(3,413)
Miscellaneous	500	500	281	(219)
Total Receipts	218,500	313,751	308,181	(5,570)
DISBURSEMENTS				
Protection to Persons and Property	191,000	315,582	314,962	620
Administration	42,500	44,999	44,748	251
Total Disbursements	233,500	360,581	359,710	871
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,000)	(46,830)	(51,529)	(4,699)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			65,470	65,470
Transfers To Other Funds			(40,364)	(40,364)
Total Other Adjustments to Cash (Uses)			25,106	25,106
Net Change in Fund Balance	(15,000)	(46,830)	(26,423)	20,407
Fund Balance - Beginning	15,000	15,000	59,424	44,424
Fund Balance - Ending	$ 0	$ (31,830)	$ 33,001	$ 64,831

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	OPIOID SETTLEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$	$ 73,117	$ 73,117
Total Receipts			73,117	73,117
DISBURSEMENTS				
Administration	240,563	240,563		240,563
Total Disbursements	240,563	240,563		240,563
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(240,563)	(240,563)	73,117	313,680
Net Change in Fund Balance	(240,563)	(240,563)	73,117	313,680
Fund Balance - Beginning	240,563	240,563	240,563	
Fund Balance - Ending	$ 0	$ 0	$ 313,680	$ 313,680

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	COLLEGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 2,000,000	$ 2,000,000	$	$ (2,000,000)
Total Receipts	2,000,000	2,000,000		(2,000,000)
DISBURSEMENTS				
Capital Projects		20,000	20,000	
Administration	2,500,000	2,480,000		2,480,000
Total Disbursements	2,500,000	2,500,000	20,000	2,480,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500,000)	(500,000)	(20,000)	480,000
Net Change in Fund Balance	(500,000)	(500,000)	(20,000)	480,000
Fund Balance - Beginning	500,000	500,000	500,000	
Fund Balance - Ending	$ 0	$ 0	$ 480,000	$ 480,000

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	REVOLVING GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 50,000	$ 50,000	$	$ (50,000)
Total Receipts	50,000	50,000		(50,000)
DISBURSEMENTS				
Administration	50,000	50,000		50,000
Total Disbursements	50,000	50,000		50,000
Fund Balance - Ending	$ 0	$ 0	$ 0	$ 0

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	TOURISM FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 225,000	$ 225,000	$ 285,759	$ 60,759
Total Receipts	225,000	225,000	285,759	60,759
DISBURSEMENTS				
Recreation and Culture	245,000	245,000	241,800	3,200
Total Disbursements	245,000	245,000	241,800	3,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(20,000)	43,959	63,959
Net Change in Fund Balance	(20,000)	(20,000)	43,959	63,959
Fund Balance - Beginning	20,000	20,000	279	(19,721)
Fund Balance - Ending	$ 0	$ 0	$ 44,238	$ 44,238

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	AMERICAN RESCUE PLAN ACT (ARPA) FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Administration	$ 131,978	$ 131,978	$	$ 131,978
Total Disbursements	131,978	131,978		131,978
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(131,978)	(131,978)		131,978
Net Change in Fund Balance	(131,978)	(131,978)		131,978
Fund Balance - Beginning	131,978	131,978	131,978	
Fund Balance - Ending	$ 0	$ 0	$ 131,978	$ 131,978

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	SPECIAL PROJECTS - WATER TANK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$ 3,000	$ 3,000	$ 4,643	$ 1,643
Total Receipts	3,000	3,000	4,643	1,643
DISBURSEMENTS				
Administration	108,538	108,538		108,538
Total Disbursements	108,538	108,538		108,538
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(105,538)	(105,538)	4,643	110,181
Net Change in Fund Balance	(105,538)	(105,538)	4,643	110,181
Fund Balance - Beginning	105,538	105,538	108,861	3,323
Fund Balance - Ending	$ 0	$ 0	$ 113,504	$ 113,504

WOLFE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	CITIZENS UNITED AGAINST DRUGS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 125,000	$ 125,000	$ 130,813	$ 5,813
Miscellaneous	7,000	7,000	4,420	(2,580)
Total Receipts	132,000	132,000	135,233	3,233
DISBURSEMENTS				
Social Services	97,250	126,249	124,128	2,121
Administration	35,750	12,420	12,254	166
Total Disbursements	133,000	138,669	136,382	2,287
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(6,669)	(1,149)	5,520
Net Change in Fund Balance	(1,000)	(6,669)	(1,149)	5,520
Fund Balance - Beginning	1,000	1,000	2,670	1,670
Fund Balance - Ending	$ 0	$ (5,669)	$ 1,521	$ 7,190

WOLFE COUNTY
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2025

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

The Road Fund, roads line-item exceeded budgeted appropriations by $397,731.

The Solid Waste Fund, general health and sanitation line-item exceeded budgeted appropriations by $169,854.

WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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WOLFE COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land	$ 1,539,439	$	$	$ 1,539,439
Buildings	12,654,062			12,654,062
Vehicles*	1,396,753	216,239	418,945	1,194,047
Equipment*	1,271,301	69,339	38,300	1,302,340
Infrastructure	5,302,367	234,832		5,537,199
Total Capital Assets	$ 22,163,922	$ 520,410	$ 457,245	$ 22,227,087

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

June 30, 2025

Note 1. Capital Assets

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

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

Note 1. Restatement of Beginning Capital Assets Balance

The following capital asset category beginning balances were restated as follows:

	Vehicles	Equipment
Prior Year Ending Balance	$ 1,463,991	$ 1,297,973
Prior Year Error	(67,238)	(26,672)
Beginning Balances Restated	$ 1,396,753	$ 1,271,301

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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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wolfe County Fiscal Court for the fiscal year ended June 30, 2025, 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 July 16, 2026.

Report on 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) as a basis for designing 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 have not been 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.

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 as items 2025-001, 2025-002, 2025-003, and 2025-004 to be material weaknesses.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D

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)

Report on 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 financial statement. 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 as items 2025-001, 2025-003, and 2025-004.

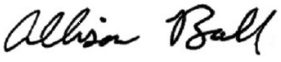
Views of Responsible Official and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Wolfe County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

July 16, 2026

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

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WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

2025-001 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-001. Internal controls over disbursements were not operating as intended. Proper procedures for disbursements were not followed to ensure compliance with the fiscal court's purchasing procedures. The following deficiencies were noted:

- Twenty-four disbursements totaling $1,210,157 did not have purchase orders.
- Four disbursements totaling $562,060 had purchase orders that did not include account codes, quantities, descriptions, or final prices.
- One credit card invoice was paid late and charged a $40 late fee.
- One lease payment invoice was paid late and charged a $60 late fee.

Cause

The deficiencies listed below occurred due to lack of monitoring of controls and diminished the effectiveness of the controls put in place over expenditures by the fiscal court.

Effect

Failure to implement an effective purchase order system can result in overspending the approved budget. These deficiencies also increase the risk that undetected errors could occur, which can result in non-compliance and can impact the entity's ability to ensure complete, accurate, and properly documented financial reporting for expenditures.

Criteria

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 DLG's County Budget Preparation and State Local Finance Officer Policy Manual, which requires a purchase order system for all counties that documents that purchases are not made without prior approval from the judge / executive or department head. According to a memorandum from the DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget." The requirement for a functioning purchase order system, proper controls over procurement, and timely payment of claims are basic internal controls necessary to ensure the accuracy and reliability of financial reports and are essential to prevent and detect errors, misstatements, and fraud.

KRS 65.140 (2) states "[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

Recommendations

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-001 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Disbursements (Continued)

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The majority of the disbursements identified without purchase orders were recurring monthly expenditures paid to regularly used vendors, such as Three Forks Regional Jail for inmate housing and other routine operational expenses. These obligations occur on a recurring basis and were included in the county's approved budget. Effective July 1, 2026, the Wolfe County Fiscal Court amended its Administrative Code to address recurring expenditures to regularly used vendors. The Fiscal Court also approved an Annual Standing Purchase Order authorizing payment of recurring monthly obligations to designated vendors. This procedure ensures that recurring expenditures are properly authorized in advance while complying with Department for Local Government (DLG) purchasing requirements.

The Fiscal Court believes these changes strengthen internal controls over disbursements and will help ensure purchase order requirements are consistently followed for recurring expenditures going forward.

2025-002 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Solid Waste Collections And Tourism Transient Tax Collections

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-002. For solid waste collections, prenumbered receipts were not issued and batched for all monies collected at the county transfer station when the deposit was turned into the treasurer for deposit. Per inquiry and review of the receipts ledger it does not appear that collections are posted or deposited on a daily basis. It was also noted that there was no documentation of the review of the deposit spreadsheet given to the solid waste coordinator when the deposit was made.

For tourism transient tax collections, internal controls were not established to ensure deposits were made timely. Per inquiry and review of the receipt's ledger, it does not appear that collections are posted or deposited on a daily basis.

Cause

Internal controls over solid waste and tourism transient tax collections were not properly developed, implemented, and documented.

Effect

The lack of adequate appropriate controls over the over solid waste fees and tourism transient tax collections process could lead to the misappropriation of assets and inaccurate financial reporting.

Criteria

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 DLG's County Budget Preparation and State Local Finance Officer Policy Manual, which requires daily deposits intact into a federally insured institution.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-002 The Wolfe County Fiscal Court Did Not Have Adequate Internal Controls Over Solid Waste Collections And Tourism Transient Tax Collections (Continued)

Criteria (Continued)

KRS 64.840(1) states that, except for the collection of taxes, "all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid: (a) In cash; (b) By a party appearing in person to pay; or (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt." KRS 64.840(2) states, "One (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit."

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

Recommendations

We recommend the fiscal court implement additional controls over solid waste fees and tourism transient tax collection and maintain adequate supporting documentation of the control procedures utilized.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: Collected monies are kept in coded safe boxes until deposit. Detailed deposit spreadsheets are given to Solid Waste Coordinator. The Solid Waste Coordinator is advised if any discrepancy is noted. Coordinator reconciles deposit spreadsheets with daily logs. Treasurer does not recall the documentation of spreadsheets being requested for review. The Solid Waste Coordinator keeps spreadsheets with his files. Pre-numbered receipts are available at the transfer station by request.

As transient room tax is received, it is given to Tourism office to log and track payments. Tourism then returns checks for deposit. Due to scheduling, these deposits are generally done once a week after they are logged.

Auditor's Reply: Auditors were not provided with evidence of daily deposits for solid waste collections or for transient room tax collections.

2025-003 The Wolfe County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements

Condition and Context

The fiscal court executed two loans on August 1, 2024, to purchase two dump trucks to be used by the county and later sold at auction. The fiscal court executed an additional loan on April 24, 2025, for the purchase of a dump truck to be used by the county and later sold at auction. The receipt of loan proceeds and the purchase of the assets were not reflected in the fiscal court's bank activity, budget process, or fourth quarter financial report as these funds were paid directly to the vendor by the financing entity. All loan proceeds and asset purchases should be included in quarterly financial reports.

Additionally, the county paid off the remaining principal on a loan for asphalt totaling $302,025, which was materially misclassified as a road improvement line item instead of debt.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-003 The Wolfe County Fiscal Court Did Not Properly Budget For And Record All Debt Related Disbursements (Continued)

Cause

The fiscal court was not aware that debt proceeds and asset purchase transactions were required to be reported even though those funds were only handled by the financing entity.

Effect

As a result, the fiscal court failed to properly budget for and record $414,723 in Road Fund debt related receipts and disbursements and $220,461 in solid waste fund debt related receipts and disbursements for the fiscal year. Material adjustments were made to the county's financial statements to account for this activity, resulting in total Road Fund and Solid Waste Fund budgeted appropriations being overspent by $349,201 and $149,319, respectively. Additionally, $302,025 was incorrectly recorded on the financial statement as a road improvement expenditure rather than a debt service expenditure.

Criteria

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. DLG's County Budget Preparation and State Local Finance Officer Policy Manual requires that all financial activity, including transactions through a third party, be recorded on the county's financial statements.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Proper reporting of debt proceeds and the subsequent purchase of assets is a basic internal control necessary to ensure the accuracy and reliability of financial reports so that management can make the best financial decisions for the entity.

Recommendations

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, in order to accurately report financing obligations proceeds received and assets purchased.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: These funds were paid directly to the vendor by the financing entity creating this oversight. Because these funds are not actual monies managed or disbursed by the County, they never appear on bank statements allowing accounts to balance in our financial system. Corrective action will be addressed in Fiscal Year 2027. Accounting codes will be created to log these transactions in our financial system to ensure accurate reporting of borrowed money.

The asphalt loan began in 2013. Although asphalt is a "road improvement", per standards it should have coded as a debt payment. When the loan was paid in full in FY2025, it was simply coded wrong in our system creating a misclassification of a debt.

WOLFE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-004 Fourth Quarter Financial Statement Long-Term Liabilities Were Materially Misstated

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-003. The fiscal court did not accurately report long-term liabilities on the fourth quarter financial report. The refunding bond for the Public Properties Corporation Judicial Center Project and additional debt for the purchase of dump truck from the Road Fund were not reported. The principal balance outstanding for those bonds was $3,680,000 and interest outstanding was $690,000, while the principal balance of the dump truck was $216,239 and interest outstanding was $11,396. Additional debt principal balances outstanding were overstated by $790,744 and interest balances outstanding were overstated by $89,260. This resulted in a total understatement of long-term liabilities totaling $3,717,631. This misstatement is material in relation to the financial statements.

Cause

Due to an error and inadequate review and oversight procedures to address such errors, the fiscal court failed to properly report long-term liabilities.

Effect

Improper reporting of long-term liabilities can impact the fiscal court's ability to make effective management decisions.

Criteria

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." Proper reporting of outstanding debt is a basic internal control necessary to ensure the accuracy and reliability of financial reports so that management can make the best financial decisions for the entity.

Further, KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter. Page 75 of the manual outlines the requirements for reporting long-term liabilities.

Recommendations

We recommend the fiscal court implement controls to ensure the amounts reported on the fourth quarter financial statement for long-term liabilities are complete and accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This finding was an oversight of updating the long term liabilities information in the financial system causing the submitted Fourth Quarter report to be inaccurate. FY2026 we updated our financial system in hopes to correct this finding in future audits.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

WOLFE COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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

County Judge/Executive

Porter Harris

County Treasurer