

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

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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



## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT

June 30, 2010

The Auditor of Public Accounts has completed the audit of the Wayne County Fiscal Court for fiscal year ended June 30, 2010. We have issued unqualified opinions based on our audit on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Wayne County, Kentucky. We have also issued an unqualified opinion on compliance with requirements applicable to each of its major federal programs: CFDA #20.106 Airport Improvement Program, CFDA #14.228 Community Development Block Grant and CFDA #15.928 Civil War Battlefield Land Acquisition Grant.

#### **Financial Condition:**

The fiscal court had net assets of \$12,658,132 as of June 30, 2010. The fiscal court had unrestricted net assets of \$1,132,356 in its governmental funds as of June 30, 2010, with total net assets of \$9,177,054. In its enterprise fund, total net cash and cash equivalents were \$37,852 with total net assets of \$3,481,078. The fiscal court had total debt principal as of June 30, 2010 of \$11,836,052 with \$757,959 due within the next year.

#### **Report Comments:**

- 2010-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140
- 2010-02 The Wayne County Airport Board Should Account For And Pay Sales Tax Appropriately And Accurately In Compliance With KRS 139.440 And KRS 139.550
- 2010-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties
- 2010-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes
- 2010-05 The Wayne County Airport Board Has A Lack Of Internal Controls Over Monitoring Of Activities Allowed/Allowable Costs And Reporting
- 2010-06 The Wayne County Airport Board Did Not Establish Procedures To Ensure Compliance With Davis-Bacon Or Suspension/Debarment Compliance Requirements
- 2010-07 The Wayne County Airport Board Should Comply With Federal Cash Management Requirements In Accordance With OMB A-133, OMB A-110, And A-102 Common Rule
- 2010-08 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements
- 2010-09 The Wayne County Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB A-133, A-102 Common Rule, And OMB A-110

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Wayne County Fiscal Court. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Wayne County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wayne County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2011 on our consideration of Wayne County, Kentucky'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 and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2010-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140
- 2010-02 The Wayne County Airport Board Should Account For And Pay Sales Tax Appropriately And Accurately In Compliance With KRS 139.440 And KRS 139.550
- 2010-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties
- 2010-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes
- 2010-05 The Wayne County Airport Board Has A Lack Of Internal Controls Over Monitoring Of Activities Allowed/Allowable Costs And Reporting
- 2010-06 The Wayne County Airport Board Did Not Establish Procedures To Ensure Compliance With Davis-Bacon Or Suspension/Debarment Compliance Requirements
- 2010-07 The Wayne County Airport Board Should Comply With Federal Cash Management Requirements In Accordance With OMB A-133, OMB A-110, And A-102 Common Rule
- 2010-08 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements
- 2010-09 The Wayne County Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB A-133, A-102 Common Rule, And OMB A-110



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
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Members of the Wayne County Fiscal Court

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

January 27, 2011

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Greg Rankin	County Judge/Executive
Danny Bell	Magistrate
Jeffrey Dishman	Magistrate
Dale Vaughn	Magistrate
Richard Munsey	Magistrate

**Other Elected Officials:**

L. Lee Tobbe	County Attorney
Ray Upchurch	Jailer
Josephine Gregory	County Clerk
Richard Morrow	Circuit Court Clerk
Charles Boston	Sheriff
Bobby Upchurch	Property Valuation Administrator
Forest Hicks	Coroner

**Appointed Personnel:**

Barbara Gehring	County Treasurer
Barbara Hagen	Occupational Tax Collector
Peggy Baker	Finance Officer
Sue Thompson	Payroll Officer
Danny Kinnett	Road Supervisor
Marcia Phillips	Jail Administrator

**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,500,052	\$ 37,852	\$ 1,537,904
Notes Receivable (Cable Systems)	100,685		100,685
Total Current Assets	<u>1,600,737</u>	<u>37,852</u>	<u>1,638,589</u>
Noncurrent Assets:			
Notes Receivable (Cable System)	1,683,731		1,683,731
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	479,331	408,257	887,588
Land and Land Improvements	936,035	110,312	1,046,347
Buildings	10,952,703	811,553	11,764,256
Other Equipment	860,445	4,741	865,186
Vehicles and Equipment	719,742	1,220	720,962
Infrastructure Assets - Net of Depreciation	<u>3,750,382</u>	<u>2,137,143</u>	<u>5,887,525</u>
Total Noncurrent Assets	<u>19,382,369</u>	<u>3,473,226</u>	<u>22,855,595</u>
Total Assets	<u>20,983,106</u>	<u>3,511,078</u>	<u>24,494,184</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds Payable	510,000		510,000
Financing Obligations Payable	240,459	7,500	247,959
Total Current Liabilities	<u>750,459</u>	<u>7,500</u>	<u>757,959</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	9,200,000		9,200,000
Financing Obligations Payable	1,855,593	22,500	1,878,093
Total Noncurrent Liabilities	<u>11,055,593</u>	<u>22,500</u>	<u>11,078,093</u>
Total Liabilities	<u>11,806,052</u>	<u>30,000</u>	<u>11,836,052</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	7,677,002	3,443,226	11,120,228
Restricted For:			
Capital Projects	367,696		367,696
Unrestricted	<u>1,132,356</u>	<u>37,852</u>	<u>1,170,208</u>
Total Net Assets	<u>\$ 9,177,054</u>	<u>\$ 3,481,078</u>	<u>\$ 12,658,132</u>

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

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**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**

**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

<b>Functions/Programs Reporting Entity</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,523,869	\$ 39,303	\$ 1,709,686	\$ 137,000
Protection to Persons and Property	3,015,256	1,950,834	1,010,188	15,686
General Health and Sanitation	290,821	28,201	27,045	
Social Services	216,422			
Recreation and Culture	417,116			
Roads	1,093,036		1,493,814	
Airports	32,021			
Road Facilities	10,319			
Debt Service	418,665			
Capital Projects	813,011			
Total Governmental Activities	<u>8,830,536</u>	<u>2,018,338</u>	<u>4,240,733</u>	<u>152,686</u>
Business-type Activities:				
Jail Canteen	317,790	287,534	34,465	
Airport Board	233,993	124,757	77,544	
Total Business-type Activities	<u>551,783</u>	<u>412,291</u>	<u>112,009</u>	
Total Primary Government	<u>\$ 9,382,319</u>	<u>\$ 2,430,629</u>	<u>\$ 4,352,742</u>	<u>\$ 152,686</u>

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Timberland Taxes

Insurance License Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Income

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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



**WAYNE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (637,880)	\$	\$ (637,880)
(38,548)		(38,548)
(235,575)		(235,575)
(216,422)		(216,422)
(417,116)		(417,116)
400,778		400,778
(32,021)		(32,021)
(10,319)		(10,319)
(418,665)		(418,665)
(813,011)		(813,011)
<u>(2,418,779)</u>		<u>(2,418,779)</u>
	4,209	4,209
	<u>(31,692)</u>	<u>(31,692)</u>
	<u>(27,483)</u>	<u>(27,483)</u>
<u>(2,418,779)</u>	<u>(27,483)</u>	<u>(2,446,262)</u>
\$ 780,137	\$ -	\$ 780,137
139,398		139,398
88,035		88,035
1,235,453		1,235,453
3,340		3,340
533,837		533,837
620,992		620,992
233,788		233,788
137,494		137,494
15,530	87	15,617
<u>3,788,004</u>	<u>87</u>	<u>3,788,091</u>
1,369,225	(27,396)	1,341,829
<u>7,807,829</u>	<u>3,508,474</u>	<u>11,316,303</u>
<u>\$ 9,177,054</u>	<u>\$ 3,481,078</u>	<u>\$ 12,658,132</u>

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

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**WAYNE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**



**WAYNE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 913,543	\$ 109,456	\$ 98,686	\$ 367,696	\$ 10,671	\$ 1,500,052
<b>Total Assets</b>	<u>913,543</u>	<u>109,456</u>	<u>98,686</u>	<u>367,696</u>	<u>10,671</u>	<u>1,500,052</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	256,101	70,306	71,522		139	398,068
Unreserved:						
General Fund	657,442					657,442
Special Revenue Funds		39,150	27,164		10,532	76,846
Debt Service Fund				367,696		367,696
<b>Total Fund Balances</b>	<u>\$ 913,543</u>	<u>\$ 109,456</u>	<u>\$ 98,686</u>	<u>\$ 367,696</u>	<u>\$ 10,671</u>	<u>\$ 1,500,052</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 1,500,052
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	20,993,766
Accumulated Depreciation	(3,295,128)
Notes Receivable (Cable System)	1,784,416
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,096,052)
Bonds	(9,710,000)
<b>Net Assets Of Governmental Activities</b>	<u>\$ 9,177,054</u>

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

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**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
<b>REVENUES</b>				
Taxes	\$ 2,961,581	\$	\$	\$
In Lieu Tax Payments	383,725	3,924		
Excess Fees	233,788			
Licenses and Permits	38,503			
Intergovernmental	2,053,331	1,493,814	1,151,428	590,670
Charges for Services	900,921		22,980	
Miscellaneous	88,842	4,503	38,624	
Interest	14,103	1,242	66	82
Total Revenues	<u>6,674,794</u>	<u>1,503,483</u>	<u>1,213,098</u>	<u>590,752</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,411,787			2,332
Protection to Persons and Property	1,679,405		1,324,235	
General Health and Sanitation	309,185			
Social Services	45,172			
Recreation and Culture	417,116			
Transportation Facilities and Services		10,319		
Roads		1,923,649		
Airports	32,021			
Debt Service:	43,388	49,383	2,000	588,420
Capital Projects	813,011			
Administration	1,162,358	110,127	238,686	
Total Expenditures	<u>5,913,443</u>	<u>2,093,478</u>	<u>1,564,921</u>	<u>590,752</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>761,351</u>	<u>(589,995)</u>	<u>(351,823)</u>	
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale Of Assets Held For Resale		94,002		
Financing Obligation Proceeds	95,085			
Transfers From Other Funds		480,000	672,200	
Transfers To Other Funds	(1,162,912)		(313,000)	
Total Other Financing Sources (Uses)	<u>(1,067,827)</u>	<u>574,002</u>	<u>359,200</u>	
Net Change in Fund Balances	(306,476)	(15,993)	7,377	
Fund Balances - Beginning	1,220,019	125,449	91,309	367,696
Fund Balances - Ending	<u>\$ 913,543</u>	<u>\$ 109,456</u>	<u>\$ 98,686</u>	<u>\$ 367,696</u>

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



WAYNE COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2010  
 (Continued)

<u>Detention Facility Project Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 3,340	\$ 2,964,921
		387,649
		233,788
		38,503
	179,731	5,468,974
		923,901
	34,525	166,494
	38	15,531
	<u>217,634</u>	<u>10,199,761</u>
	30,294	1,444,413
	30,135	3,033,775
		309,185
	171,250	216,422
		417,116
		10,319
		1,923,649
		32,021
313,000		996,191
		813,011
	6,175	1,517,346
<u>313,000</u>	<u>237,854</u>	<u>10,713,448</u>
<u>(313,000)</u>	<u>(20,220)</u>	<u>(513,687)</u>
		94,002
		95,085
313,000	10,712	1,475,912
		(1,475,912)
<u>313,000</u>	<u>10,712</u>	<u>189,087</u>
	(9,508)	(324,600)
	20,179	1,824,652
<u>\$ 0</u>	<u>\$ 10,671</u>	<u>\$ 1,500,052</u>

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

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**WAYNE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**WAYNE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (324,600)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	1,869,998
Depreciation Expense	(552,584)
Assets Disposed of, Net Book Value	(1,030)
Asset Held For Resale (Disposal)	(105,000)

Notes Receivable principal received are receipted in the Governmental Funds as source of current financial resources. These transactions have no effect on net assets. (97,733)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(95,085)
Financing Obligations Payments	180,259
Bond Payments	<u>495,000</u>

Change in Net Assets of Governmental Activities \$ 1,369,225

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**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**





**WAYNE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 29,144	\$ 8,708	\$ 37,852
Total Current Assets	29,144	8,708	37,852
Noncurrent Assets:			
Capital Assets:			
Land and Land Improvements		110,312	110,312
Construction In Progress		408,257	408,257
Buildings		1,161,952	1,161,952
Infrastructure		2,512,562	2,512,562
Vehicles and Equipment	13,568	9,500	23,068
Less Accumulated Depreciation	(8,827)	(734,098)	(742,925)
Total Noncurrent Assets	4,741	3,468,485	3,473,226
Total Assets	33,885	3,477,193	3,511,078
<b>Liabilities</b>			
Current Liabilities			
Financing Obligations		7,500	7,500
Noncurrent Liabilities			
Financing Obligations		22,500	22,500
Total Liabilities	30,000	30,000	30,000
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	4,741	3,438,485	3,443,226
Unrestricted	29,144	8,708	37,852
Total Net Assets	\$ 33,885	\$ 3,447,193	\$ 3,481,078

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

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**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**WAYNE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Canteen Receipts	\$ 287,534	\$ -	\$ 287,534
Airport Receipts	-	124,757	124,757
Total Operating Revenues	<u>287,534</u>	<u>124,757</u>	<u>412,291</u>
<b>Operating Expenses</b>			
Cost of Sales	179,854	67,890	247,744
Sales Tax	13,250	4,921	18,171
Personnel Costs	64,725	2,400	67,125
Educational and Recreational	11,985		11,985
Office Supplies	2,173		2,173
Utilities		2,095	2,095
Maintenance	2,112	14,235	16,347
Insurance	5,801	11,116	16,917
Gasoline	1,631		1,631
Travel		645	645
Service Fees		8,273	8,273
Depreciation	251	120,525	120,776
Interest		750	750
Miscellaneous	4,346	1,143	5,489
Total Operating Expenses	<u>286,128</u>	<u>233,993</u>	<u>520,121</u>
Operating Income (Loss)	<u>1,406</u>	<u>(109,236)</u>	<u>(107,830)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Program Support		22,742	22,742
Grant Receipts		54,802	54,802
Interest Income		87	87
Medical Expenses	(7,284)		(7,284)
Inmate Pay From State	34,465		34,465
Inmate Refunds	(24,378)		(24,378)
Total Nonoperating Revenues (Expenses)	<u>2,803</u>	<u>77,631</u>	<u>80,434</u>
Change In Net Assets	4,209	(31,605)	(27,396)
Total Net Assets - Beginning (Restated)	29,676	3,478,798	3,508,474
Total Net Assets - Ending	<u>\$ 33,885</u>	<u>\$ 3,447,193</u>	<u>\$ 3,481,078</u>

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

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**WAYNE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**





**WAYNE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activities - Enterprise Fund</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Cash Flows From Operating Activities</b>			
Cash Receipts From Customers	\$ 287,534	\$ 124,757	\$ 412,291
Cash Payments to Suppliers	(179,854)	(67,890)	(247,744)
Cash Payments to Employees	(64,725)	(2,400)	(67,125)
Cash Payments to State (Sales Tax)		(4,921)	(4,921)
Cash Payments To Other Sources	(41,298)	(38,257)	(79,555)
Net Cash Provided By Operating Activities	<u>1,657</u>	<u>11,289</u>	<u>12,946</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash Program Support From Fiscal Court		22,742	22,742
Cash Payments For Medical Expenses	(7,284)		(7,284)
Cash Inmate Pay Received From State	34,465		34,465
Cash Payments To Inmates For Refunds On Accounts	(24,378)		(24,378)
Net Cash Provided By Noncapital Financing Activities	<u>2,803</u>	<u>22,742</u>	<u>25,545</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Cash From State and Federal Monies		54,802	54,802
Cash Payments for Debt Service		(7,500)	(7,500)
Capital Outlay		(378,945)	(378,945)
Net Cash (Used) Provided By Capital and Related Financing Activities		<u>(331,643)</u>	<u>(331,643)</u>
<b>Cash Flows From Investing Activities</b>			
Interest Earned		87	87
Net Cash Provided By Investing Activities		<u>87</u>	<u>87</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,460	(297,525)	(293,065)
Cash and Cash Equivalents - July 1, 2009 (Restated)	<u>24,684</u>	<u>306,233</u>	<u>330,917</u>
Cash and Cash Equivalents - June 30, 2010	<u>\$ 29,144</u>	<u>\$ 8,708</u>	<u>\$ 37,852</u>

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

WAYNE COUNTY  
 STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2010  
 (Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Business-Type Activities - Enterprise Fund		
	Jail Canteen Fund	Airport Board Fund	Totals
Operating Income (Loss)	\$ 1,406	\$ (109,236)	\$ (107,830)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	251	120,525	120,776
Net Cash Provided By Operating Activities	\$ 1,657	\$ 11,289	\$ 12,946

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

**WAYNE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**WAYNE COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<u><b>Agency Fund</b></u>
	<u><b>Jail Inmate Account</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ <u>3,833</u>
Total Assets	<u><u>3,833</u></u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>3,833</u>
Total Liabilities	<u><u>\$ 3,833</u></u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Wayne County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Wayne County Public Properties Corporation**

The fiscal court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. The Public Properties Corporation's financial information is reported in the Justice Center Project Fund and the Detention Facility Project Fund.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Wayne County Airport Board

The Wayne County Airport Board was established to oversee the operations of the Wayne County Airport. The Board does not have separate corporate powers from those of the Fiscal Court. Therefore, management must include the Board as a component unit and the financial activity has been blended with that of the Fiscal Court. The Board's financial information is reported in the Airport Board Fund.

**C. Wayne County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Wayne 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 statements of Wayne County, Kentucky.

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

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.



**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

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

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

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

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures 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 revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Justice Center Project Fund** – This fund accounts for the funds used for construction of a new Justice Center and is part of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to build the Justice Center and has entered into a contract, lease, and option with Fiscal Court and the Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require fiscal court to report or budget these funds.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Detention Facility Project Fund – This fund accounts for the accumulation of resources for the payment of long-term debt principal and interest for the Wayne County Detention Facility and is part of the Public Properties Corporation. The Public Properties Corporation issued debt to build a detention facility and has entered into a contract, lease and option with Fiscal Court. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, Timberland Tax Fund and ARC Grant Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, Timberland Tax Fund and ARC Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Justice Center Project Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Fund:**

The Detention Facility Project Fund is presented as a debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund and the Airport Board Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements of Interpretations.

The primary government reports the following major proprietary funds:

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Airport Board Fund – This fund is used to account for the operations of the Wayne County Airport. Operating revenues of this fund are derived mainly from fuel sales and the rental of hangar space at the airport. Operating expenses consist mainly of cost of sales, office expenses and depreciation.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from inmates and held until inmates either use the funds or are released from custody.

**E. Deposits and Investments**

The government's cash and cash equivalents are 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.

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

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**F. 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 in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

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

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Funds, Jail Canteen Fund and the Airport Board Fund. The Department for Local Government does not require Fiscal Court to report or budget these funds.

**J. Joint Ventures**

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

Tri-County Animal Control is considered a joint venture between Wayne, Clinton and Cumberland County Fiscal Courts.

Monticello-Wayne County Park is considered a joint venture between Wayne County Fiscal Court and the City of Monticello.

Community Telecom Services is considered a joint venture between Wayne County Fiscal Court and the City of Monticello.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 2. Deposits**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 936,035	\$	\$	\$ 936,035
Construction In Progress		479,331		479,331
Total Capital Assets Not Being Depreciated	936,035	479,331		1,415,366
Capital Assets, Being Depreciated:				
Buildings	12,027,492			12,027,492
Other Equipment	1,098,288	236,764		1,335,052
Vehicles and Equipment	1,621,304	230,015	(10,300)	1,841,019
Infrastructure	3,450,949	923,888		4,374,837
Total Capital Assets Being Depreciated	18,198,033	1,390,667	(10,300)	19,578,400

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Less Accumulated Depreciation For:				
Buildings	\$ (931,737)	\$ (143,052)	\$ -	\$ (1,074,789)
Other Equipment	(361,701)	(112,906)		(474,607)
Vehicles and Equipment	(1,008,915)	(121,632)	9,270	(1,121,277)
Infrastructure	(449,461)	(174,994)		(624,455)
Total Accumulated Depreciation	(2,751,814)	(552,584)	9,270	(3,295,128)
Total Capital Assets, Being Depreciated, Net	15,446,219	838,083	(1,030)	16,283,272
Governmental Activities Capital Assets, Net	<u>\$ 16,382,254</u>	<u>\$ 1,317,414</u>	<u>\$ (1,030)</u>	<u>\$ 17,698,638</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 129,931
Protection to Persons and Property	213,560
General Health and Sanitation	5,036
Roads, Including Depreciation of General Infrastructure Assets	<u>204,057</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 552,584</u>

Capital asset activity for Business-Type Activities for the year ended June 30, 2010 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 110,312	\$	\$	\$ 110,312
Construction In Progress	38,752	369,505		408,257
Total Capital Assets Not Being Depreciated	149,064	369,505		518,569

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 1,161,952	\$ -	\$ -	\$ 1,161,952
Other Equipment	13,568			13,568
Vehicles and Equipment	9,500			9,500
Infrastructure	2,503,121	9,440		2,512,561
Total Capital Assets Being Depreciated	3,688,141	9,440		3,697,581
Less Accumulated Depreciation For:				
Buildings	(330,647)	(19,753)		(350,400)
Other Equipment	(8,576)	(251)		(8,827)
Vehicles and Equipment	(8,010)	(270)		(8,280)
Infrastructure	(274,916)	(100,502)		(375,418)
Total Accumulated Depreciation	(622,149)	(120,776)		(742,925)
Total Capital Assets, Being Depreciated, Net	3,065,992	(111,336)		2,954,656
Business-Type Activities Capital Assets, Net	<u>\$ 3,215,056</u>	<u>\$ 258,169</u>	<u>\$ -</u>	<u>\$ 3,473,225</u>

Depreciation expense was charged to functions of the Business-Type Activities as follows:

<u>Business-Type Activities</u>	
Jail Canteen	\$ 251
Airport	120,525
	<u>120,776</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 120,776</u>

**Note 4. Long-term Debt**

**A. Justice Center – Series 2003 Bond Issue**

On January 1, 2003 the Public Properties Corporation issued \$7,395,000 of First Mortgage Revenue Bonds, Series 2003, for the construction of the Wayne County Justice Center. The bonds have various interest rates from 3.5% to 4.25%. Interest is payable each March 1 and September 1, commencing September 1, 2003. Principal is payable each September 1, commencing September 1, 2004. Revenue bonds outstanding at June 30, 2010 were \$5,755,000. Future debt service requirements are



**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**A. Justice Center – Series 2003 Bond Issue (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 310,000	\$ 232,603
2012	325,000	219,903
2013	340,000	206,603
2014	350,000	192,803
2015	365,000	178,503
2016-2020	2,070,000	649,526
2021-2024	<u>1,995,000</u>	<u>173,719</u>
Totals	<u>\$ 5,755,000</u>	<u>\$ 1,853,660</u>

**B. Justice Center – Series 2005 Bonds**

On September 1, 2005, the Public Properties Corporation issued \$560,000 of First Mortgage Revenue Bonds, Series 2005, for the final construction of the Wayne County Justice Center. The bonds have various interest rates from 3.3% to 4.1%. Interest is payable each March 1 and September 1 commencing March 1, 2006. Principal is payable each September 1, commencing September 1, 2006. Revenue bonds outstanding at June 30, 2010 were \$465,000. Future debt service requirements are

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 25,000	\$ 17,793
2012	25,000	16,911
2013	25,000	15,973
2014	30,000	14,943
2015	30,000	13,818
2016-2020	165,000	50,513
2021-2024	<u>165,000</u>	<u>14,230</u>
Totals	<u>\$ 465,000</u>	<u>\$ 144,181</u>

**C. Detention Center – Series 1999 First Mortgage Revenue Bonds**

On November 10, 1999, the Public Properties Corporation issued \$4,665,000 of First Mortgage Revenue Bonds, Series 1999 for the construction of the Wayne County Detention Facility. During fiscal year 2009, the Public Properties Corporation issued General Obligation Refunding Bonds, Series 2009. A portion of this bond issue was used to defease the First Mortgage Revenue Bonds, Series 1999. As of June 30, 2010, the escrow account had a balance of \$3,839,948.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**D. Detention Center – Series 2006 Refunding Bonds**

On March 1, 2006 the Public Properties Corporation issued \$4,135,000 of General Obligation Refunding Bonds, Series 2006, for the Wayne County Detention Facilities Project. The bonds have an interest rate of 4%. Interest is payable each November 1, commencing on May 1, 2006. Principal is payable each November 1 commencing November 1, 2006. General Obligation Refunding Bonds outstanding as of June 30, 2010 were \$3,490,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 175,000	\$ 136,100
2012	185,000	128,900
2013	185,000	121,500
2014	195,000	113,900
2015	205,000	105,900
2016-2020	1,145,000	397,500
2021-2025	<u>1,400,000</u>	<u>144,000</u>
Totals	<u>\$ 3,490,000</u>	<u>\$ 1,147,800</u>

**E. Airport Loan (Business-Type Activities)**

On October 20, 2003 the Airport Board, with approval from the Wayne County Fiscal Court entered into a \$75,000 loan agreement with the Kentucky Transportation Cabinet for the improvement of the airport. Terms of the agreement stipulate a ten-year repayment schedule with interest of 2%. The principal balance as of June 30, 2010 is \$30,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2011	\$ 7,500	\$ 600
2012	7,500	450
2013	7,500	300
2014	<u>7,500</u>	<u>150</u>
Totals	<u>\$ 30,000</u>	<u>\$ 1,500</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**F. Cable System Loan/Notes Receivable**

On August 12, 2004, the Wayne County Fiscal Court passed and adopted a resolution authorizing the county to enter into a joint venture with the City of Monticello for the purchase and improvement of a cable television system. Financing of the county's portion of the project is provided through a certain lease agreement between the Kentucky League of Cities Leasing Trust ("the Lessor") and the County ("the Lessee") at an aggregate principal amount not to exceed \$2,300,000. Terms of the agreement stipulate a twenty-year repayment schedule beginning December 2004, with interest of 2.23%. The annual debt service is to be paid from the cable service fees collected. The principal balance as of June 30, 2010 is \$1,784,416. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2011	\$ 100,685	\$ 54,922
2012	103,633	51,836
2013	106,892	48,443
2014	110,046	45,135
2015	113,365	41,660
2016-2020	620,054	152,638
2021-2025	629,741	49,041
Totals	<u>\$ 1,784,416</u>	<u>\$ 443,675</u>

The County has also recorded a note receivable due from the joint venture for the amount of debt incurred by the County as follows:

Current Portion	\$ 100,685
Long-Term Portion	1,683,731
Total	<u>\$ 1,784,416</u>

**G. Mack Dump Truck**

On March 28, 2008 the Wayne County Fiscal Court entered into a \$105,000 lease agreement with the Bank of New York for the acquisition of a 2008 Mack dump truck. Terms of the agreement stipulate an eighteen month repayment schedule with a 3.75% fixed interest rate and the principal payment of \$105,000 due on September 20, 2009. However, on September 10, 2009 Wayne County Fiscal Court voted to rollover the current lease for one year. Therefore, the principal payment of \$105,000 will be due on September 20, 2010. The principal balance as of June 30, 2010 is \$105,000. Future debt service requirements are:

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

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

**G. Mack Dump Truck (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 105,000	\$ 2,219
Totals	<u>\$ 105,000</u>	<u>\$ 2,219</u>

**H. John Deere Grader**

On March 17, 2008 the Wayne County Fiscal Court entered into a \$160,514 agreement with Monticello Banking Company for the acquisition of a John Deere Grader. Terms of the agreement stipulate a ten-year repayment schedule, with a 3.96% fixed interest rate and monthly principal and interest payments ending on January 17, 2018. The principal balance as of June 30, 2010 is \$126,551. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2011	\$ 14,774	\$ 4,311
2012	15,314	3,771
2013	15,875	3,210
2014	16,456	2,629
2015	17,058	2,027
2016-2018	<u>47,074</u>	<u>2,290</u>
Totals	<u>\$ 126,551</u>	<u>\$ 18,238</u>

**I. Ambulances**

On September 20, 2009, the Wayne County Fiscal Court entered into a \$95,085 agreement with the Kentucky Association of Counties Leasing Trust Program to finance the purchase of two ambulances and equipment. Terms of the agreement stipulate a fifty-two month repayment schedule, with a variable interest rate ending on December 20, 2013. The principal balance as of June 30, 2010 is \$80,085. Future debt service requirements are:

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2010  
 (Continued)

Note 4. Long-term Debt (Continued)

I. Ambulances (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 20,000	\$ 3,125
2012	20,000	2,347
2013	20,000	1,507
2014	20,085	545
Totals	<u>\$ 80,085</u>	<u>\$ 7,524</u>

J. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 10,205,000	\$ -	\$ 495,000	\$ 9,710,000	\$ 510,000
Financing Obligations	2,181,226	95,085	180,259	2,096,052	240,459
Governmental Activities Long-term Liabilities	<u>\$ 12,386,226</u>	<u>\$ 95,085</u>	<u>\$ 675,259</u>	<u>\$11,806,052</u>	<u>\$ 750,459</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Long Term Airport Loan	<u>\$ 37,500.00</u>	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 30,000</u>	<u>\$ 7,500</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$10,247 in interest on financing obligations and \$406,420 in interest on bonds and notes.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, 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.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

The county's contribution for FY 2008 was \$428,739, FY 2009 was \$378,071, and FY 2010 was \$441,706.

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

**Note 7. Deferred Compensation**

On February 24, 2000, the Wayne County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 7. Deferred Compensation (Continued)**

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2010, Wayne County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustments**

**A. Statement of Activities**

The primary governments beginning net assets balance reported on the Statement of Activities for governmental activities of \$7,807,829 has been adjusted due to changes in prior year ending cash balances and long term debt balances. The net effect of these adjustments is an increase of \$3,824. Changes in the prior year balances will be detailed below as part of this note.

**B. Fund Balances**

The primary government beginning fund balance for governmental activities of \$1,824,652 has been adjusted to include a total of \$930 for prior period adjustments. These adjustments are due to voided checks resulting in increases to the General and Jail Funds of \$530 and \$400, respectively. The adjustment increases the beginning fund balance by \$930 and increases net assets by the same amount.

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

The primary government beginning balance of \$12,386,226 has been adjusted to include a total of \$2,894 in prior period adjustments. These adjustments are due to a debt principal payment of \$2,922 not recorded in the prior year and a \$27 principal adjustment due to an interest timing issue. Adjustments resulted in a \$2,894 decrease to the long-term liabilities beginning balance, thus increasing net assets by the same amount.

**D. Fund Balances (Business-Type Activities)**

The business-type activities beginning fund balances of \$330,917 has been adjusted to include a total of \$2,000 for prior period adjustments. These adjustments are due to voided checks resulting in increases to the Jail Canteen and the Airport Board Funds of \$7 and \$1,993 respectively. The adjustment increases the beginning fund balances by \$2,000 and increases net assets by the same amount.

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**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2010**



**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,910,450	\$ 2,972,551	\$ 2,961,581	\$ (10,970)
In Lieu Tax Payments	205,656	357,393	383,725	26,332
Excess Fees	91,035	233,442	233,788	346
Licenses and Permits	36,429	38,514	38,503	(11)
Intergovernmental Revenue	1,806,050	2,234,182	2,053,331	(180,851)
Charges for Services	840,000	847,280	900,921	53,641
Miscellaneous	38,900	79,977	88,842	8,865
Interest	30,500	17,600	14,103	(3,497)
Total Revenues	<u>5,959,020</u>	<u>6,780,939</u>	<u>6,674,794</u>	<u>(106,145)</u>
<b>EXPENDITURES</b>				
General Government	1,497,628	1,578,116	1,411,787	166,329
Protection to Persons and Property	1,482,371	1,852,171	1,679,405	172,766
General Health and Sanitation	375,480	506,205	309,185	197,020
Social Services	63,100	79,395	45,172	34,223
Recreation and Culture	78,200	441,971	417,116	24,855
Airports	22,200	33,942	32,021	1,921
Debt Service	-	43,388	43,388	-
Capital Projects	1,002,922	1,002,922	813,011	189,911
Administration	1,342,029	1,434,402	1,162,358	272,044
Total Expenditures	<u>5,863,930</u>	<u>6,972,512</u>	<u>5,913,443</u>	<u>1,059,069</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>95,090</u>	<u>(191,573)</u>	<u>761,351</u>	<u>952,924</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	-	95,085	95,085	
Transfers To Other Funds	(1,022,152)	(1,141,243)	(1,162,912)	(21,669)
Total Other Financing Sources (Uses)	<u>(1,022,152)</u>	<u>(1,046,158)</u>	<u>(1,067,827)</u>	<u>(21,669)</u>
Net Changes in Fund Balance	(927,062)	(1,237,731)	(306,476)	931,255
Fund Balance - Beginning	927,062	1,219,588	1,220,019	431
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (18,143)</u>	<u>\$ 913,543</u>	<u>\$ 931,686</u>

WAYNE COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Required Supplementary Information - Modified Cash Basis  
 For The Year Ended June 30, 2010  
 (Continued)

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 2,941	\$ 3,924	3,924	
Intergovernmental Revenue	1,188,858	1,493,813	1,493,814	1
Miscellaneous	90,000	98,505	98,505	
Interest	13,000	1,500	1,242	(258)
Total Revenues	<u>1,294,799</u>	<u>1,597,742</u>	<u>1,597,485</u>	<u>(257)</u>
<b>EXPENDITURES</b>				
Transportation Facilities and Services	10,900	12,200	10,319	1,881
Roads	1,607,478	2,062,887	1,923,649	139,238
Debt Services	-	49,384	49,383	1
Administration	136,471	118,719	110,127	8,592
Total Expenditures	<u>1,754,849</u>	<u>2,243,190</u>	<u>2,093,478</u>	<u>149,712</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(460,050)</u>	<u>(645,448)</u>	<u>(495,993)</u>	<u>149,455</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	400,000	520,000	480,000	(40,000)
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>520,000</u>	<u>480,000</u>	<u>(40,000)</u>
Net Changes in Fund Balance	(60,050)	(125,448)	(15,993)	109,455
Fund Balance - Beginning	<u>60,050</u>	<u>125,449</u>	<u>125,449</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 109,456</u>	<u>\$ 109,455</u>

WAYNE COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Required Supplementary Information - Modified Cash Basis  
 For The Year Ended June 30, 2010  
 (Continued)

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,146,409	\$ 1,138,733	\$ 1,151,428	\$ 12,695
Charges for Services	30,416	30,216	22,980	(7,236)
Miscellaneous	32,000	37,531	38,624	1,093
Interest	2,500	69	66	(3)
Total Revenues	<u>1,211,325</u>	<u>1,206,549</u>	<u>1,213,098</u>	<u>6,549</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,262,850	1,343,624	1,324,235	19,389
Debt Service	315,000	2,000	2,000	-
Administration	274,915	249,365	238,686	10,679
Total Expenditures	<u>1,852,765</u>	<u>1,594,989</u>	<u>1,564,921</u>	<u>30,068</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(641,440)</u>	<u>(388,440)</u>	<u>(351,823)</u>	<u>36,617</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	611,440	610,531	672,200	61,669
Transfers To Other Funds		(313,000)	(313,000)	
Total Other Financing Sources (Uses)	<u>611,440</u>	<u>297,531</u>	<u>359,200</u>	<u>61,669</u>
Net Changes in Fund Balance	(30,000)	(90,909)	7,377	98,286
Fund Balance - Beginning	<u>30,000</u>	<u>90,909</u>	<u>91,309</u>	<u>400</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,686</u>	<u>\$ 98,686</u>

**WAYNE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of the Budgetary Basis to the Modified Cash Basis

**Road Fund**

Receipts - Budgetary Basis	\$ 1,597,485
To Reclass Proceeds From Sale of Asset Held For Resale	<u>(94,002)</u>
Receipts - Modified Cash Basis	<u><u>\$ 1,503,483</u></u>
Other Financing Sources (Uses) - Budgetary Basis	\$ 480,000
Proceeds From Sale of Asset Held For Resale	<u>94,002</u>
Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 574,002</u></u>

**WAYNE COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2010**





**WAYNE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>LGEA Fund</b>	<b>Homeland Security Fund</b>	<b>Emergency Management Fund</b>	<b>Timberland Fund</b>	<b>ARC Grant Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,369	\$ 12	\$ 2,328	\$ 5,687	\$ 275	\$ 10,671
Total Assets	<u>2,369</u>	<u>12</u>	<u>2,328</u>	<u>5,687</u>	<u>275</u>	<u>10,671</u>
<b>FUND BALANCES</b>						
Unreserved:						
Special Revenue Funds	<u>2,369</u>	<u>12</u>	<u>2,328</u>	<u>5,687</u>	<u>275</u>	<u>10,671</u>
Total Fund Balances	<u>\$ 2,369</u>	<u>\$ 12</u>	<u>\$ 2,328</u>	<u>\$ 5,687</u>	<u>\$ 275</u>	<u>\$ 10,671</u>

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**WAYNE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**

**WAYNE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>LGEA Fund</b>	<b>Homeland Security Fund</b>	<b>Emergency Management Fund</b>	<b>Timberland Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 3,340
Intergovernmental	27,045		15,686	
Miscellaneous				
Interest	8		7	23
Total Revenues	<u>27,053</u>		<u>15,693</u>	<u>3,363</u>
<b>EXPENDITURES</b>				
General Government	30,294			
Protection to Persons and Property			25,949	4,186
Social Services				
Administration	6,146		29	
Total Expenditures	<u>36,440</u>		<u>25,978</u>	<u>4,186</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,387)</u>		<u>(10,285)</u>	<u>(823)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	2,150		8,562	
Total Other Financing Sources (Uses)	<u>2,150</u>		<u>8,562</u>	
Net Change in Fund Balances	(7,237)		(1,723)	(823)
Fund Balances - Beginning	9,606	12	4,051	6,510
Fund Balances - Ending	<u>\$ 2,369</u>	<u>\$ 12</u>	<u>\$ 2,328</u>	<u>\$ 5,687</u>

WAYNE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 Other Supplementary Information  
 For The Year Ended June 30, 2010  
 (Continued)

<u>ARC Grant Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$ 3,340
137,000	179,731
34,525	34,525
	38
<u>171,525</u>	<u>217,634</u>
	30,294
	30,135
171,250	171,250
	6,175
<u>171,250</u>	<u>237,854</u>
<u>275</u>	<u>(20,220)</u>
	10,712
	<u>10,712</u>
275	(9,508)
	20,179
<u>\$ 275</u>	<u>\$ 10,671</u>

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**WAYNE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**





**WAYNE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**

**Fiscal Year Ended June 30, 2010**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Commerce</u>		
National Oceanic and Atmospheric Administration Passed-Through Eastern KY Pride (CFDA #11.469)	N/A	\$ 34,405
<u>U.S. Department of Agriculture/Rural Development</u>		
Communities Facilities Grant (CFDA #10.766)	N/A	72,682
<u>U.S. Department of Homeland Security</u>		
Passed-Through State-KY Emergency Management Disaster Public Assistance (Presidential Declared Disaster) (CFDA #97.036 )	N/A	48,040
Emergency Food and Shelter National Board Program (CFDA #97.024)	N/A	12,667
Search and Rescue Grant (CFDA #97.067)	N/A	12,468
Assistance to Firefighters Grant (CFDA #97.044)	N/A	<u>35,217</u>
Total U.S. Department Of Homeland Security		<u>108,392</u>
<u>U.S. Department of the Interior</u>		
<u>National Park Service</u>		
Civil War Battlefield Land Acquisition Grant (CFDA #15.928)	N/A	314,959 *
Passed Through KY Department For Local Government Outdoor Recreation - Acquisition, Development And Planning Grant (CFDA #15.916)	N/A	29,731
Total U.S. Department of the Interior		<u>344,690</u>

WAYNE COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Fiscal Year Ended June 30, 2010  
 (Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Passed Through KY Department For Local Government		
Community Development Block Grant (CFDA #14.228)	N/A	\$ 813,011 *
<u>Appalachian Regional Commission</u>		
Appalachian Regional Development Grant (CFDA #23.001)	N/A	137,000
<u>U.S. Department of Transportation</u>		
<u>Federal Aviation Administration</u>		
Airport Improvement Program Grant (CFDA #20.106)		<u>369,505 *</u>
Total Expenditures of Federal Awards		<u>\$ 1,879,685</u>

\* - Tested as a major program.

**WAYNE COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2010**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wayne County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 – Determination of major programs

The Type A program for the fiscal court is any program for which total expenditures of federal award exceed \$300,000 for fiscal year 2010. The Type A programs were:

CFDA #15.928 Civil War Battlefield Land Acquisition Grant  
 CFDA #14.228 Community Development Block Grant  
 CFDA #20.106 Airport Improvement Program Grant

Note 3 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Wayne County Fiscal Court provided federal awards to the following subrecipient:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Civil War Battlefield Land Acquisition Grant	15.928	Mill Springs Battlefield Association	<u>\$ 314,959</u>

Note 4 – Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2010.

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





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 27, 2011. Wayne County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wayne County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wayne County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County Fiscal Court's internal control over financial reporting.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-03 and 2010-04 to be material weaknesses.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Wayne County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2010-01 and 2010-02.

The Wayne County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

January 27, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Greg Rankin, Wayne County Judge/Executive  
Members of the Wayne County Fiscal Court

**Report On Compliance With Requirements**  
**Applicable To Each Major Program And On Internal Control**  
**Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Wayne County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Wayne County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wayne County's management. Our responsibility is to express an opinion on Wayne County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wayne County's compliance with those requirements.

In our opinion, Wayne County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our audit procedures disclosed three instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-07, 2010-08 and 2010-09.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Wayne County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wayne County internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-05 and 2010-06 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We consider all the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Wayne County Airport Board President's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

January 27, 2011

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

**For The Year Ended June 30, 2010**



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

**Fiscal Year Ended June 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Wayne County.
2. Two deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report. The reported deficiencies are also considered to be material weaknesses.
3. Two instances of noncompliance material to the financial statements of Wayne County were disclosed during the audit.
4. Two deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report. The reported deficiencies are also considered material weaknesses.
5. Three instances of non-compliance relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
6. The auditor's report on compliance for the audit of the major federal awards programs for Wayne County expresses an unqualified opinion.
7. There are five findings relative to the major federal awards programs for Wayne County reported in Part C of this schedule.
8. The programs tested as a major programs were: Airport Improvement Program (CFDA #20.106), Community Development Block Grant (CFDA #14.228) and Civil War Battlefield Land Acquisition Grant (CFDA #15.928)
9. The threshold for distinguishing Type A and B programs was \$300,000.
10. Wayne County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**STATE LAWS AND REGULATIONS**

2010-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140

During our testing of expenditures we noted 10 out of 17 expenditures tested were not paid within thirty (30) working days as required by KRS 65.140.

Two of the invoices were to be paid with state grant funds. It appears the grant funds were received several months before actual payment was made to the vendors.

KRS 65.140 states that "unless the purchaser and vendor otherwise contract, all bills for goods and 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's subcontractor".

This statute further states "an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor's invoice by the purchaser." We recommend the Airport Board comply with KRS 65.140 and pay all invoices within the required thirty (30) working days.

**WAYNE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Supplemental Information  
Fiscal Year Ended June 30, 2010  
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

STATE LAWS AND REGULATIONS (Continued)

2010-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140 (Continued)

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: The invoices that we did not pay within 30 days were from our fuel supplier. They understood that most of the fuel we bought during the summer was sold to the state of Kentucky for helicopter fuel for their marijuana eradication programs. It takes them from 60 to 90 days to pay us for the fuel. One isolated incident we were not paid for over six months by the state for \$12,000 in fuel sales because they accidentally sent the money to an airport in Monticello Georgia.*

*Auditor Response: Of the ten expenditures not paid within thirty working days, only two expenditures were for fuel purchases. Auditor would like to note that this comment was a non-compliance in prior year. In addition, if the Airport Board has an agreement with any company allowing late payment, the agreement should be documented and available for auditor review.*

2010-02 The Wayne County Airport Board Should Account For And Pay Sales Tax Appropriately And Accurately In Compliance With KRS 139.440 And KRS 139.550

During our testing of sales tax, we noted the following:

- No returns or payments received by the Kentucky Department of Revenue for three months (October and November 2009 and March 2010).
- Untimely return filed for two months (July and August 2009).
- Prior year payments for February, April, May and June 2009 were made in current year.
- Incorrect sales figures were used for February 2010; therefore sales tax was overpaid by \$42.
- Vendor compensation was figured and deducted on untimely filed returns, which is not allowed by KY Department of Revenue.
- January 2010 sales figures were not available therefore, \$150 estimated payment was made.
- In April 2010 the Airport Board elected to start paying sales tax to the state electronically. However, the incorrect tax period was entered into the system therefore, KY Department of Revenue applied tax to the wrong tax period. Due to the errors, the state lists no payment being made for April 2010.

KRS 139.540 and 139.550 state respectively "The taxes imposed by this chapter are due and payable to the department monthly and shall be remitted on or before the twentieth day of the next succeeding calendar month." "(1) On or before the twentieth day of the month following each calendar month, a return for the preceding month shall be filed with the department in a form the department may prescribe and (5) the return shall show the amount of the taxes for the period covered by the return and other information the department deems necessary for the proper administration of this chapter."



**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

STATE LAWS AND REGULATIONS (Continued)

2010-02 The Wayne County Airport Board Should Account For And Pay Sales Tax Appropriately And Accurately In Compliance With KRS 139.440 And KRS 139.550 (Continued)

We recommend the Wayne County Airport Board account for and pay sales tax appropriately and accurately ensuring compliance with KRS 139.540 and 139.550. Also, we recommend the Airport Board contact the KY Department of Revenue regarding the tax period posting errors in order to avoid further errors and reconcile the account, so that it is paid in full and up to date.

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: Our secretary handles the sales tax payments and I thought they were being paid timely. I know the months in question the tax owed was computed and checks were written because I signed them and entered them in my check register to wait for them to clear. Why the state did not cash the checks for several months later I do not know.*

*I know that changing over to paying the taxes electronically was a little confusing and took two or three months to straighten out.*

*Auditor Response: During testing of sales tax, Auditor requested assistance from the Kentucky Department of Revenue. Testing conclusions were based upon documentation received from the state. Auditor has recommended the Airport Board contact the Kentucky Department of Revenue and reconcile the account.*

**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES

2010-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties

Segregation of duties or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

A lack of segregation exists over the receipt, disbursement and reconciliation functions because a limited number of employees are available to properly segregate these job duties. The Airport Board bookkeeper receives cash, prepares bank deposits, prepares the monthly bank reconciliation, writes and co-signs all disbursements, as well as posts to the receipt and disbursement ledgers. Because the Airport Board bookkeeper handled all functions of the Airport Board and compensating controls were not in place, we noted the following:

- No evidence of review of any financial information prepared by the bookkeeper
- Manual check register was incomplete; some check stubs were blank, no running cash balance maintained, and not all voided checks were noted as such.
- Bank reconciliations are not being consistently prepared: No reconciliations were available for Auditor's review from January through June 2010.
- Bank reconciliations are not being completed correctly; outstanding checks were not accounted for properly.
- The general ledger was incomplete and inaccurate. Receipts were uncategorized when posted to the ledger with the exception of federal grant proceeds and interest.
- Invoices not properly cancelled upon payment to avoid duplicate payments.
- Various invoices were missing. Auditor had to request and obtain from vendor.

**WAYNE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Supplemental Information  
Fiscal Year Ended June 30, 2010  
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (CONTINUED)

2010-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties (Continued)

- Auditor made numerous adjustments to reconcile the Cash Flow Statement and Transaction Report to the actual cash balance.

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend the Airport Board separate the various receipt, disbursement, and reconciliation functions and implement compensating controls. If, due to limited staff size, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Airport Board President could also provide this oversight.

Subsequently, the Wayne County Airport Board has implemented the following compensating control: Dual signatures on all disbursements, with one being the Airport Board President

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: We do have only 2 employees (one paid and one volunteer) to properly comply with your concerns for separation of duties but we are following recommendations from prior audits: It takes both our signatures on any check written and I monitor on a daily basis our checking balance by accessing our account via the banks electronic functions. I reconcile the bank statement on a daily basis. For each check I co-sign I enter in a spreadsheet and reconcile that check the day it clears the bank. The last item cleared on my spreadsheet is the same as the bank balance and the last item on my spreadsheet represents the reconciled balance..*

*Auditor's Response: The Airport Board President's monitoring of the checking balance on a daily basis was not available for Auditor's review. The above compensating controls recommended by the Auditor suggest the Airport Board President document his oversight over financial information prepared by the bookkeeper.*

2010-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes

We recapped the Wayne County Airport Board minutes for activity that pertains to the audit of the Airport Board's financial statements and federal award programs. During the review, we noted minutes from the board meetings are not being adequately prepared. The minutes should contain more detailed discussions from the meetings and there should be documentation in the minutes of all motions voted on, including the vote of each board member. The minutes of the previous meeting should be reviewed and signed stating they are accurate minutes and reflect the actual meeting proceedings. It was noted that the financial statements are being presented but they are not sufficient. Financial statements should contain a breakdown of receipts by account category and all disbursements by category with a balance that is reconciled to the bank account. In addition, there is not sufficient documentation in the minutes documenting that all claims (invoices) are submitted to the board and approved prior to payment being made. There is not sufficient documentation indicating the board is properly overseeing and monitoring the grants. There should be percentage of completion reports, financial reports, as well as discussions about the progress made on the grant projects.

**WAYNE COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Supplemental Information  
Fiscal Year Ended June 30, 2010  
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2010-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes (Continued)

Also, the minutes are not maintained in an organized and consistent manner, and the financial statements presented are not always in the same format.

We recommend the Wayne County Airport Board strengthen their internal controls over the preparation and maintenance of the Airport Board Minutes.

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: Will make sure our secretary complies with this recommendation in the future*

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

2010-05 The Wayne County Airport Board Has A Lack Of Internal Controls Over Monitoring Of Activities Allowed/Allowable Costs And Reporting

Federal Program: CFDA 20.106

Federal Agency: U.S. Department of Transportation/Federal Aviation Administration

Compliance Area: Activities Allowed/Allowable Costs and Reporting

Questioned Costs: \$0

During testing of internal controls over Activities Allowed/Allowable Costs, we noted no documentation of monitoring of allowable activities and costs or reporting by the Airport Board. The Airport Board bookkeeper received payment instructions from engineers and made payments accordingly. Several vendor invoices were not included in the Airport Board's grant files therefore, Auditor had to request the documentation from the engineering firm.

OMB A-133 requires internal controls over monitoring of Activities Allowed/Allowable Costs. There was no documentation of Board oversight or review of these payments prior to payment being made. The Airport Board Chairman stated the Board did provide oversight over the grant, but Auditors noted the minutes provided no evidence of the oversight. (See Comment 2010-05) The Airport Board Chairman or designee should have reviewed expenditures prior to payment and initialed or otherwise documented his review.

Also, during reporting compliance testing, Auditor noted the required reports were not submitted by the engineering firm to the awarding agency. Therefore, the Wayne County Airport Board was not monitoring the engineering firm to ensure compliance requirements were being met.

**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT  
 (Continued)

2010-05 The Wayne County Airport Board Has A Lack Of Internal Controls Over Monitoring Of Activities Allowed/Allowable Costs And Reporting (Continued)

We recommend the Airport Board implement internal controls over monitoring activities allowed/allowable costs and reporting and document process used.

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: I feel that this criticism is completely unfair. I personally monitor the progress of all our grants and I might add that I do this on a volunteer basis. Not one invoice gets signed by me and submitted to the State or FAA for funding unless the percentage of work they are requesting payment for has been completed. If an awarding agency had a problem with our engineering firm not submitting required reports then why would they not complain to me. It is impossible to fix a problem if I don't know that it exists.*

*Auditor's Response: The Airport Board is responsible for ensuring compliance requirements are being met regardless of who is contracted to administer the grant. As stated in the original comment, various invoices were missing and Auditor had to acquire the missing invoices from the engineering firm. Proper monitoring by the Airport Board would require that all invoices be on file with the Airport Board and that all required reports were submitted to the awarding agency.*

2010-06 The Wayne County Airport Board Did Not Establish Procedures To Ensure Compliance With Davis-Bacon Or Suspension/Debarment Compliance Requirements

Federal Program: CFDA 20.106

Federal Agency: U.S. Department of Transportation/Federal Aviation Administration

Compliance Area: Davis-Bacon and Suspension/Debarment

Questioned Costs: \$0

During testing of compliance requirements, Auditor noted that neither the Airport Board nor the engineer hired as a grant administrator documented the performance of interviews of the contractor's employees to determine Davis-Bacon compliance nor did they document checking the Excluded Party Listing System for debarred and suspended vendors. OMB A-133 requires monitoring of all material compliance requirements to ensure compliance. We recommend the Airport Board establish procedures to ensure compliance with all OMB A-133 compliance requirements.

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: The official did not respond.*

**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT  
(Continued)

2010-07 The Wayne County Airport Board Should Comply With Federal Cash Management Requirements In Accordance With OMB A-133, OMB A-110 And A-102 Common Rule

Federal Program: CFDA 20.106

Federal Agency: U.S. Department of Transportation/Federal Aviation Administration

Compliance Area: Cash Management

Questioned Costs: \$0

During testing of compliance with Cash Management requirements, Auditor noted the Wayne County Airport Board did not establish procedures to minimize the time between the transfer of Federal funds and the disbursement of those funds for program purposes. For example, various federal grant proceeds received in June 2009 were not paid to vendor until August 2009, September 2009, December 2009 and March 2010. In addition, federal grant proceeds received in March 2009 was not paid to vendor until December 2009.

OMB A-133 states "When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement."

We recommend the Airport Board establish procedures to ensure compliance with Cash Management requirements in the future.

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: I recommended to the Board and they approved withholding payments to one particular contractor that I personally discovered was not complying with the specs of his contract. I found this out after invoices were submitted to the FAA and State for payments. After we received the funding I discussed this with both funding agencies and told them we were either going to hold the money until corrections by the contractor were made or we could send the money back. They recommended that we keep the funding and not pay the contractor until he complied with the bid specs. THAT IS EXACTLY WHAT WE DID AND I Will DO IT AGAIN IF A SIMILAR SITUATION RISES.*

*Auditor's Response: Auditor noted no evidence of discussions regarding withholding payments in the Airport Board meeting minutes or no evidence or documentation regarding discussions with the awarding agencies. In the future, all such discussions should be documented and available for auditor to review.*

2010-08 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements

Federal Program: CFDA 20.106

Federal Agency: U.S. Department of Transportation/Federal Aviation Administration

Compliance Area: Reporting

Questioned Costs: \$0

**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT  
 (Continued)

2010-08 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements (Continued)

During testing of compliance requirements, it was noted that Quarterly Performance Reports have not been submitted to the Federal Aviation Administration (FAA) as required per the OMB A-133 Compliance Supplement. Auditor requested and received the reports from the engineering firm however, per discussion with the FAA Project Manager; the reports were never submitted to the FAA. Auditor forwarded all Quarterly Performance Reports to the Project Manager, who stated he had made numerous attempts to contact the engineering firm about submitting reports but was unsuccessful.

Also, the Airport Board did not adequately monitor the engineering firm to ensure compliance requirements for reporting were being met

We recommend the Airport Board ensure compliance with Reporting compliance requirements by submitting all applicable reports to the federal awarding agency

*Wayne County Judge/Executive's Response: The official did not respond.*

*Wayne County Airport Board President's Response: We pay an engineering firm to file these reports for us and again no one ever complained that they were not being filed. This will be addressed..*

*Auditor's Response: The Airport Board is responsible for ensuring that compliance requirements are being met regardless of who is contracted to administer the grant.*

2010-09 The Wayne County Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB A-133, A-102 Common Rule And OMB A-110

Federal Program: CFDA 15.928

Federal Agency: Department of the Interior/National Park Service

Pass-Through Agency: Mill Springs Battlefield Association

Compliance Area: Subrecipient Monitoring

Questioned Costs: \$0

During single audit testing of the Civil War Battlefield Land Acquisition Grant major federal award program for the Mill Springs Battlefield Association, it was noted the Wayne County Fiscal Court inadequately monitored the operations of the subrecipient by not ensuring the required audits were performed within nine months of the fiscal years' end.

Auditor contacted the Mill Springs Battlefield Association and noted the 2008 audit is now being conducted. Therefore, it would appear the 2010 audit will not be completed within the required timeframe of March 2011.

**WAYNE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Supplemental Information**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT  
(Continued)

2010-09 The Wayne County Fiscal Court Should Monitor Subrecipients In Accordance With Single Audit Act, OMB A-133, A-102 Common Rule And OMB A-110 (Continued)

We recommend the Fiscal Court monitor subrecipients in accordance with the Single Audit Act and applicable OMB Circulars. Fiscal Court should ensure its subrecipients have a single audit conducted within nine months of the fiscal year's end. Auditor inquired of fiscal court and the Lake Cumberland Area Development District and noted neither received any audits from Mill Springs Battlefield Association.

*Wayne County Judge/Executive's Response: The official did not respond.*

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2009-01 The Airport Board Lacks An Adequate Segregation Of Duties. This comment has not been corrected. See 2010-04.

2009-02 The County Should Capitalize Capital Assets In Accordance With The Approved Capitalization Policy. This comment has been corrected.

2009-03 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140. This comment has not been corrected. See 2010-01.



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

**WAYNE COUNTY FISCAL COURT**

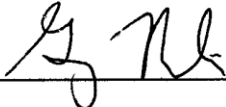
**For The Fiscal Year Ended  
June 30, 2010**



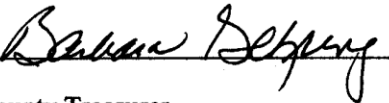
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**WAYNE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2010**

The Wayne 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

  
\_\_\_\_\_

County Treasurer

