

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

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
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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

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents 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, 2009, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Wayne County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT

June 30, 2009

Peercy and Gray, PSC has completed the audit of the Wayne County Fiscal Court fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Wayne County, Kentucky.

#### Financial Condition:

The fiscal court had total net assets of \$11,310,478 as of June 30, 2009. In its governmental activities, the fiscal court had restricted net assets of \$367,696 and unrestricted net assets of \$1,456,026 as of June 30, 2009, with total net assets of \$7,804,005. In its business-type activities, total net cash and cash equivalents were \$328,917 with total net assets of \$3,506,473. The fiscal court had total debt principal as of June 30, 2009 of \$12,426,620 with \$775,700 due within the next year.

#### Report Comments:

- 2009-1 The Airport Board Lacks An Adequate Segregation Of Duties
- 2009-2 The County Should Capitalize Capital Assets In Accordance With The Approved Capitalization Policy
- 2009-3 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140

#### Deposits:

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



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## PEERCY AND GRAY, PSC

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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, 2009, 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 an opinion 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 in accordance 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, 2009, 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 chosen not to present 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 inquires of management regarding the methods of measurement and presentation of the budgetary comparison schedules. However, we did not audit the information 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements 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 28, 2010, 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 comments and recommendations, included herein, which discusses the following report comments:

- 2009-1 The Airport Board Lacks An Adequate Segregation Of Duties
- 2009-2 The County Should Capitalize Capital Assets In Accordance With The Approved Capitalization Policy
- 2009-3 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140

Respectfully submitted,



Percy and Gray, PSC

January 28, 2010

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

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

**Other Elected Officials:**

L. Lee Tobbe	County Attorney
Ray Upchurch	Jailer
Melissa Turpin	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

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WAYNE COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009



WAYNE COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,823,722	\$ 328,917	\$ 2,152,639
Assets Held for Resale	105,000		105,000
Notes Receivable (Cable System)	97,733		97,733
Total Current Assets	<u>2,026,455</u>	<u>328,917</u>	<u>2,355,372</u>
Noncurrent Assets:			
Notes Receivable (Cable System)	1,784,416		1,784,416
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress		38,752	38,752
Land and Land Improvements	936,035	110,312	1,046,347
Buildings	11,095,755	831,305	11,927,060
Other Equipment	736,587	4,992	741,579
Vehicles and Equipment	612,389	1,490	613,879
Infrastructure	3,001,488	2,228,205	5,229,693
Total Noncurrent Assets	<u>18,166,670</u>	<u>3,215,056</u>	<u>21,381,726</u>
Total Assets	<u>20,193,125</u>	<u>3,543,973</u>	<u>23,737,098</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds Payable	495,000		495,000
Financing Obligations Payable	273,200	7,500	280,700
Total Current Liabilities	<u>768,200</u>	<u>7,500</u>	<u>775,700</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	9,710,000		9,710,000
Financing Obligations Payable	1,910,920	30,000	1,940,920
Total Noncurrent Liabilities	<u>11,620,920</u>	<u>30,000</u>	<u>11,650,920</u>
Total Liabilities	<u>12,389,120</u>	<u>37,500</u>	<u>12,426,620</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,980,283	3,177,556	9,157,839
Restricted For:			
Capital Projects	367,696		367,696
Unrestricted	1,456,026	328,917	1,784,943
Total Net Assets	<u>\$ 7,804,005</u>	<u>\$ 3,506,473</u>	<u>\$ 11,310,478</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, 2009

WAYNE COUNTY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,537,412	\$ 10,938	\$ 1,574,467	\$
Protection to Persons and Property	2,919,039	931,363	1,295,070	
General Health and Sanitation	269,362			
Social Services	166,427			
Recreation and Culture	146,135			
Roads	974,542		1,307,518	
Airports	10,541			
Other Transportation Facilities and Services	13,788			
Debt Service	440,986			
Capital Projects	268,225			
<b>Total Governmental Activities</b>	<b>7,746,457</b>	<b>942,301</b>	<b>4,177,055</b>	
Business-type Activities:				
Jail Canteen	293,670	250,879	33,890	
Airport Board	247,174	117,972	343,434	
<b>Total Business-type Activities</b>	<b>540,844</b>	<b>368,851</b>	<b>377,324</b>	
<b>Total Primary Government</b>	<b>\$ 8,287,301</b>	<b>\$ 1,311,152</b>	<b>\$ 4,554,379</b>	<b>\$ 0</b>

**General Revenues:**

Taxes:

- Real Property Taxes
- Personal Property Taxes
- Motor Vehicle Taxes
- Occupational Taxes
- Other Taxes
- Insurance License tax
- Excess Fees
- Miscellaneous Revenues
- Interest Income
- Transfers

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated) (Note 10)

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, 2009  
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (952,007)	\$	\$ (952,007)
(692,606)		(692,606)
(269,362)		(269,362)
(166,427)		(166,427)
(146,135)		(146,135)
332,976		332,976
(10,541)		(10,541)
(13,788)		(13,788)
(440,986)		(440,986)
(268,225)		(268,225)
<u>(2,627,101)</u>		<u>(2,627,101)</u>
	(8,901)	(8,901)
	214,232	214,232
	<u>205,331</u>	<u>205,331</u>
<u>\$ (2,627,101)</u>	<u>\$ 205,331</u>	<u>\$ (2,421,770)</u>
\$ 712,049	\$	\$ 712,049
147,556		147,556
84,106		84,106
1,298,912		1,298,912
476,774		476,774
530,564		530,564
83,003		83,003
92,376		92,376
34,439	112	34,551
(10,936)	10,936	
<u>3,448,843</u>	<u>11,048</u>	<u>3,459,891</u>
821,742	216,379	1,038,121
6,982,263	3,290,094	10,272,357
<u>\$ 7,804,005</u>	<u>\$ 3,506,473</u>	<u>\$ 11,310,478</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, 2009



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

June 30, 2009

	General Fund	Road Fund	Jail Fund	Justice Center Project Fund	Non- Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 1,219,489	\$ 125,449	\$ 90,909	\$ 367,696	\$ 20,179	\$ 1,823,722
Total Assets	<u>1,219,489</u>	<u>125,449</u>	<u>90,909</u>	<u>367,696</u>	<u>20,179</u>	<u>1,823,722</u>
<b>FUND BALANCES</b>						
Reserved for:						
Encumbrances	35,977	6,872	38,055			80,904
Unreserved:						
General Fund	1,183,512					1,183,512
Special Revenue Funds		118,577	52,854		20,179	191,610
Debt Service Fund				367,696		367,696
Total Fund Balances	<u>\$ 1,219,489</u>	<u>\$ 125,449</u>	<u>\$ 90,909</u>	<u>\$ 367,696</u>	<u>\$ 20,179</u>	<u>\$ 1,823,722</u>

**Reconciliation to Statement of Net Assets:**

Total Fund Balances	\$ 1,823,722
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.	19,134,068
Accumulated Depreciation	(2,751,814)
Assets Held for Resale	105,000
Notes Receivable (Cable System)	1,882,149
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,184,120)
Bonded Debt	<u>(10,205,000)</u>
Net Assets Of Governmental Activities	<u>\$ 7,804,005</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, 2009

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

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
<b>REVENUES</b>				
Taxes	\$ 2,941,793	\$	\$	\$
In Lieu Tax Payments	263,487	4,114		
Excess Fees	83,003			
Licenses and Permits	37,182			
Intergovernmental	986,254	1,274,606	1,281,670	588,213
Charges for Services	915,566		26,735	
Miscellaneous	47,782	10,265	34,329	
Interest	22,123	7,457	1,976	2,556
Total Revenues	<u>5,297,190</u>	<u>1,296,442</u>	<u>1,344,710</u>	<u>590,769</u>
<b>EXPENDITURES</b>				
General Government	985,868			
Protection to Persons and Property	1,440,195		1,249,753	
General Health and Sanitation	263,876			
Social Services	166,427			
Recreation and Culture	146,135			
Roads		906,415		
Airports	10,541			
Road Facilities		13,788		
Debt Service	106,604	131,135		585,963
Capital Projects	303,769	155,294		
Administration	1,077,183	105,803	227,114	3,970
Total Expenditures	<u>4,500,598</u>	<u>1,312,435</u>	<u>1,476,867</u>	<u>589,933</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>796,592</u>	<u>(15,993)</u>	<u>(132,157)</u>	<u>836</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Debt Issuance		28,637		
Transfers From Other Funds	3,760		469,000	
Transfers to Other Funds	(496,262)		(309,600)	
Total Other Financing Sources (Uses)	<u>(492,502)</u>	<u>28,637</u>	<u>159,400</u>	
Net Change in Fund Balances	304,090	12,644	27,243	836
Fund Balances - Beginning	915,399	112,805	63,666	366,860
Fund Balances - Ending	<u>\$ 1,219,489</u>	<u>\$ 125,449</u>	<u>\$ 90,909</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, 2009  
 (Continued)

Detention Facility Project Fund	Non- Major Funds	Total Governmental Funds
\$	\$ 3,385	\$ 2,945,178
		267,601
		83,003
		37,182
	46,312	4,177,055
		942,301
		92,376
	327	34,439
	<u>50,024</u>	<u>8,579,135</u>
	31,011	1,016,879
	18,089	2,708,037
		263,876
		166,427
		146,135
		906,415
		10,541
		13,788
309,600		1,133,302
		459,063
	5,409	1,419,479
<u>309,600</u>	<u>54,509</u>	<u>8,243,942</u>
<u>(309,600)</u>	<u>(4,485)</u>	<u>335,193</u>
		28,637
309,600	16,326	798,686
	(3,760)	(809,622)
<u>309,600</u>	<u>12,566</u>	<u>17,701</u>
	8,081	352,894
	12,098	1,470,828
<u>\$ 0</u>	<u>\$ 20,179</u>	<u>\$ 1,823,722</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, 2009



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, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 352,894
<p>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.</p>	
Capital Outlay	297,075
Depreciation Expense	(480,506)
Book Value of Disposed Assets	(11,400)
<p>Notes Receivable principal received are receipted in the Governmental Funds as source of current financial resources. These transaction have no effect on net assets.</p>	
	(94,956)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while financing obligation and bond principle payments are expensed in the governmental funds as a use of current financial resources. These transactions, however, have no effect on net assets</p>	
Financing Obligations Proceeds	(28,637)
Financing Obligations Principal Payments	317,272
Bond Principal Payments	<u>470,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 821,742</u>

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

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WAYNE COUNTY  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2009



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

June 30, 2009

	Business-Type Activities - Enterprise Funds		Totals
	Jail Canteen Fund	Airport Board Fund	
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 24,677	\$ 304,240	\$ 328,917
Total Current Assets	<u>24,677</u>	<u>304,240</u>	<u>328,917</u>
Noncurrent Assets:			
Capital Assets			
Land and Land Improvements		110,312	110,312
Construction in Progress		38,752	38,752
Buildings		1,161,952	1,161,952
Infrastructure		2,503,121	2,503,121
Vehicles and Equipment	13,568	9,500	23,068
Less Accumulated Depreciation	(8,576)	(613,573)	(622,149)
Total Noncurrent Assets	<u>4,992</u>	<u>3,210,064</u>	<u>3,215,056</u>
Total Assets	<u>29,669</u>	<u>3,514,304</u>	<u>3,543,973</u>
<b>Liabilities</b>			
Current Liabilities:			
Financing Obligations		7,500	7,500
Noncurrent Liabilities:			
Financing Obligations		30,000	30,000
Total Liabilities		<u>37,500</u>	<u>37,500</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	4,992	3,172,564	3,177,556
Unrestricted	24,677	304,240	328,917
Total Net Assets	<u>\$ 29,669</u>	<u>\$ 3,476,804</u>	<u>\$ 3,506,473</u>

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 FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009



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

For The Year Ended June 30, 2009

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Canteen Receipts	\$ 250,879	\$	\$ 250,879
Airport Receipts		117,972	117,972
Total Operating Revenues	<u>250,879</u>	<u>117,972</u>	<u>368,851</u>
<b>Operating Expenses</b>			
Cost of Sales	152,911	82,651	235,562
Service Fees		9,112	9,112
Contract Labor		2,400	2,400
Dues and Subscriptions		3,600	3,600
Educational and Recreational	20,052		20,052
Insurance		10,309	10,309
Office Supplies	2,599		2,599
Personnel Costs	56,977		56,977
Repairs and Maintenance		10,298	10,298
Sales Tax	11,533	4,725	16,258
Depreciation	251	120,147	120,398
Interest		900	900
Miscellaneous	4,055	814	4,869
Utilities		2,218	2,218
Total Operating Expenses	<u>248,378</u>	<u>247,174</u>	<u>495,552</u>
Operating Income (Loss)	<u>2,501</u>	<u>(129,202)</u>	<u>(126,701)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income		112	112
Grant Receipts		343,434	343,434
Transfers In		10,936	10,936
Medical Expenses	(16,978)		(16,978)
Inmate Pay From State	33,890		33,890
Inmate Refunds	(28,314)		(28,314)
Total Nonoperating Revenues (Expenses)	<u>(11,402)</u>	<u>354,482</u>	<u>343,080</u>
Change In Net Assets	(8,901)	225,280	216,379
Total Net Assets - Beginning	38,570	3,251,524	3,290,094
Total Net Assets - Ending	<u>\$ 29,669</u>	<u>\$ 3,476,804</u>	<u>\$ 3,506,473</u>

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

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WAYNE COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009



WAYNE COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
<b>Cash Flows From Operating Activities</b>			
Receipts From Customers	\$ 250,879	\$ 117,972	\$ 368,851
Payments to Suppliers	(152,911)	(82,651)	(235,562)
Payments to Employees	(56,977)	(2,400)	(59,377)
Other	(38,239)	(41,976)	(80,215)
Net Cash Provided By Operating Activities	<u>2,752</u>	<u>(9,055)</u>	<u>(6,303)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Inmate Pay From State	33,890		33,890
Transfers In		10,936	10,936
Medical Expenses	(16,978)		(16,978)
Inmate Refunds on Accounts	(28,314)		(28,314)
Net Cash Provided By Noncapital Financing Activities	<u>(11,402)</u>	<u>10,936</u>	<u>(466)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
State and Federal Monies		343,434	343,434
Payments on Debt		(7,500)	(7,500)
Capital Outlay		(57,086)	(57,086)
Net Cash (Used) Provided By Capital and Related Financing Activities		<u>278,848</u>	<u>278,848</u>

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

WAYNE COUNTY  
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2009  
 (Continued)

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Jail Canteen Fund</b>	<b>Airport Board Fund</b>	<b>Totals</b>
<b>Cash Flows From Investing Activities</b>			
Interest Earned	\$	\$ 112	\$ 112
Net Cash Provided By Investing Activities		112	112
Net Increase (Decrease) in Cash and Cash Equivalents	(8,650)	280,841	272,191
Cash and Cash Equivalents - July 1, 2008	33,327	23,399	56,726
Cash and Cash Equivalents - June 30, 2009	\$ 24,677	\$ 304,240	\$ 328,917
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 2,501	\$ (129,202)	\$ (126,701)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	251	120,147	120,398
Net Cash Provided By Operating Activities	\$ 2,752	\$ (9,055)	\$ (6,303)

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

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

June 30, 2009



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

June 30, 2009

	<u>Agency Fund</u>
	<u>Jail Inmate Account</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 2,561
Total Assets	2,561
<b>Liabilities</b>	
Amounts Held In Custody For Others	2,561
Total Liabilities	\$ 2,561

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, 2009

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

**A. Basis of Presentation**

The county prepares 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 Detention Facility Project Fund.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(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 (the 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 Board's 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 and fund 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, 2009  
(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 lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

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 and proprietary 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.

**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 a 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 the County. The Department for Local Government does not require the fiscal court to report or budget these funds.

WAYNE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

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

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

**Governmental Funds (Continued)**

Justice Center Project Fund - This fund accounts for the funds used for construction of a new Justice Center and is a 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 the County and Administrative Office of The Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to report or budget these funds.

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

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Homeland Security Fund, Emergency Management Fund, and Timberland Tax Fund are special revenue funds. Special revenue funds are used 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 a capital projects fund. Capital projects funds are used 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 a debt service fund. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

WAYNE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

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

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

**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 and services 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 or Interpretations.

The primary government reports the following major proprietary fund:

**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 and water sales and the rental of hangar space at the airport. Operating expenses consist mainly of the cost of sales, office expenses and depreciation.

**E. Cash and Cash Equivalents**

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, 2009  
 (Continued)

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

**F. Capital Assets**

Capital assets, which include land and 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.

Costs 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 and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	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 funds 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, long-term loan agreements, 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, 2009  
(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. Formal budgets are not adopted for the Public Properties Corporation Fund, the Jail Canteen Fund, or the Airport Board Fund.

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.

**J. Joint Venture**

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

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

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

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

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

**Note 2. Deposits**

The county 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.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240 (4). As of June 30, 2009, all deposits were covered by FDIC insurance and properly executed collateral security agreements.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government: Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 936,035	\$	\$	\$ 936,035
Total Capital Assets Not Being Depreciated	936,035			936,035
Capital Assets, Being Depreciated:				
Buildings	11,982,470	45,022		12,027,492
Other Equipment	1,016,132	87,131	(4,975)	1,098,288
Vehicles and Equipment	1,611,219	70,085	(60,000)	1,621,304
Infrastructure	3,356,112	94,837		3,450,949
Total Capital Assets Being Depreciated	\$17,965,933	\$ 297,075	\$ (64,975)	\$18,198,033

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Less Accumulated Depreciation For:				
Buildings	\$ (788,685)	\$ (143,052)	\$	\$ (931,737)
Other Equipment	(282,727)	(83,949)	4,975	(361,701)
Vehicles and Equipment	(942,048)	(115,467)	48,600	(1,008,915)
Infrastructure	(311,423)	(138,038)		(449,461)
Total Accumulated Depreciation	<u>(2,324,883)</u>	<u>(480,506)</u>	<u>53,575</u>	<u>(2,751,814)</u>
Total Capital Assets, Being Depreciated, Net	<u>15,641,050</u>	<u>(183,431)</u>	<u>(11,400)</u>	<u>15,446,219</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,577,085</u>	<u>\$ (183,431)</u>	<u>\$ (11,400)</u>	<u>\$ 16,382,254</u>
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 110,312	\$	\$	\$ 110,312
Construction in progress		38,752		38,752
Total Capital Assets Not Being Depreciated	<u>110,312</u>	<u>38,752</u>		<u>149,064</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	2,484,787	18,334		2,503,121
Total Capital Assets Being Depreciated	<u>3,669,807</u>	<u>18,334</u>		<u>3,688,141</u>
Less Accumulated Depreciation For:				
Buildings	(310,894)	(19,753)		(330,647)
Other Equipment	(8,325)	(251)		(8,576)
Vehicles and Equipment	(7,740)	(270)		(8,010)
Infrastructure	(174,792)	(100,124)		(274,916)
Total Accumulated Depreciation	<u>(501,751)</u>	<u>(120,398)</u>		<u>(622,149)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,168,056</u>	<u>(102,064)</u>		<u>3,065,992</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,278,368</u>	<u>\$ (63,312)</u>	<u>\$</u>	<u>\$ 3,215,056</u>

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

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

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

<u>Governmental Activities:</u>	
General Government	\$ 101,054
Protection to Persons and Property	211,002
General Health and Sanitation	5,486
Roads, Including Depreciation of General Infrastructure Assets	<u>162,964</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 480,506</u>
<u>Business-Type Activities</u>	
Jail Canteen	\$ 251
Airport	<u>120,147</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 120,398</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 3.50% 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, 2009, were \$6,055,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 300,000	\$ 244,802
2011	310,000	232,603
2012	325,000	219,903
2013	340,000	206,603
2014	1,905,000	192,803
2015-2019	2,345,000	733,679
2020-2024	530,000	223,550
2025	<u>          </u>	<u>44,515</u>
Totals	<u>\$ 6,055,000</u>	<u>\$ 2,098,458</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 3.30% 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, 2009, were \$490,000. Future debt service requirements are:

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

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

**B. Justice Center - Series 2006 Bonds (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	25,000	18,618
2011	25,000	17,793
2012	25,000	16,911
2013	25,000	15,974
2014	30,000	14,942
2015-2019	160,000	56,900
2020-2024	200,000	21,659
Totals	<u>\$ 490,000</u>	<u>\$ 162,797</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 (Note 4.D.). A portion of this bond issue was used to defease the First Mortgage Revenue Bonds, Series 1999. As of June 30, 2009, the escrow account had a balance of \$3,869,880.

**D. Detention Center - Series 2009 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 4.0%. Interest is payable each May 1 and November 1 commencing May 1, 2006. Principal is payable each November 1 commencing November 1, 2006. General Obligation Refunding Bonds outstanding at June 30, 2009, were \$3,660,000. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 170,000	\$ 143,000
2011	175,000	136,100
2012	185,000	128,900
2013	185,000	121,500
2014	195,000	113,900
2015-2019	1,105,000	372,000
2020-2024	1,345,000	269,400
2025	300,000	6,000
Totals	<u>\$ 3,660,000</u>	<u>\$ 1,290,800</u>

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

**Note 5. Financing Obligations**

The county has entered into the following agreements:

**A. 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 two percent. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2010	\$ 7,500	\$ 1,050
2011	7,500	900
2012	7,500	750
2013	7,500	600
2014	7,500	450
2015		450
Totals	<u>\$ 37,500</u>	<u>\$ 4,200</u>

**B. 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 to be 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 to be paid from the cable service fees collected. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 97,733	\$ 51,428
2011	100,685	54,922
2012	103,633	51,836
2013	106,892	48,443
2014	110,046	45,135
2015-2019	601,968	171,555
2020-2024	698,198	70,907
2025	62,994	874
Totals	<u>\$ 1,882,149</u>	<u>\$ 495,100</u>

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

**Note 5. Financing Obligations (Continued)**

**B. Cable System Loan/Notes Receivable (Continued)**

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

Current Portion	\$ 97,733
Long-Term Portion	<u>1,784,416</u>
Total	<u>\$ 1,882,149</u>

**C. Hope Center**

On February 16, 2001, the Wayne County Fiscal Court entered into a lease with option to purchase agreement with the Commonwealth of Kentucky for the acquisition of the Hope Center formerly the Old Maintenance Site. Terms of the agreement stipulate a yearly principal payment of \$2,922 for a period of ten years ending on July 1, 2010. As of June 30, 2009, the principal balance remaining was \$2,922.

<u>Governmental Activities</u>	
<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>
2010	<u>\$ 2,922</u>
Totals	<u>\$ 2,922</u>

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

**Note 5. Financing Obligations (Continued)**

**D. Mack Dump Truck**

On March 28, 2008, the Wayne County Fiscal 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 payments of \$105,000 due on September 20, 2009. As of June 30, 2009, the principal balance remaining was \$105,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 105,000	\$ 2,219
Totals	\$ 105,000	\$ 2,219

**E. Sheriff's Vehicles**

On July 13, 2007 the Wayne County Fiscal Court entered into a \$71,656 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of two Sheriff's vehicles. Terms of the agreement stipulate a three-year repayment schedule, with a 5.33% fixed interest rate and varying annual principal payments ending on January 10, 2010. As of June 30, 2009, principal outstanding was \$24,656. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 24,656	\$ 589
Totals	\$ 24,656	\$ 589

**F. 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. As of June 30, 2009, principal outstanding was \$140,756. Future principal and interest requirements are:

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

Note 5. Financing Obligations (Continued)

F. John Deere Grader (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 14,252	\$ 4,833
2011	14,774	4,311
2012	15,314	3,771
2013	15,875	3,210
2014	16,456	2,629
2015-2018	<u>64,085</u>	<u>4,318</u>
Totals	<u>\$ 140,756</u>	<u>\$ 23,072</u>

G. Bobcat

On November 25, 2008 the Wayne County Fiscal Court entered into a \$28,637 agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition a Bobcat. Terms of the agreement stipulate a one-year repayment schedule, with a 2.819% fixed interest rate and varying annual principal payments ending on November 20, 2009. As of June 30, 2009, principal outstanding was \$28,637. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	<u>\$ 28,637</u>	<u>\$ 339</u>
Totals	<u>\$ 28,637</u>	<u>\$ 339</u>

WAYNE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009  
 (Continued)

Note 5. Financing Obligations (Continued)

H. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 10,675,000	\$	\$ 470,000	\$10,205,000	\$ 495,000
Financing Obligations	2,472,755	28,637	317,272	2,184,120	273,200
Governmental Activities Long-term Liabilities	<u>\$ 13,147,755</u>	<u>\$ 28,637</u>	<u>\$ 787,272</u>	<u>\$12,389,120</u>	<u>\$ 768,200</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Long Term Airport Loan	<u>\$ 45,000</u>	<u>\$ 0</u>	<u>\$ 7,500</u>	<u>\$ 37,500</u>	<u>\$ 7,500</u>

Note 6. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$15,423 in interest on financing obligations and \$425,563 in interest on bonds and notes.

WAYNE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009  
(Continued)

**Note 7. 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 13.50 percent.

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

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

**Note 9. Insurance**

For the fiscal year ended June 30, 2009, 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.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 10. Prior Period Adjustments**

The Beginning Net Assets of the Statement of Activities and the Beginning Balance of the Long-term Debt of the governmental activities have been restated by \$2,922. This was due to the prior year recording of a debt payment not actually paid in that fiscal year.

**Note 11. Subsequent Event**

The former Wayne County Clerk owes \$139,986 to the 2008 Fee Account due to the findings in the 2007 and 2008 Wayne County Clerk's audits. Of that amount, \$108,256 in Excess Fees is owed to the County.

WAYNE COUNTY  
BUDGETARY COMPARISON SCHEDULES  
Required Supplementary Information - Modified Cash Basis  
For The Year Ended June 30, 2009



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

For The Year Ended June 30, 2009

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,876,081	\$ 2,929,911	\$ 2,941,793	\$ 11,882
In Lieu Tax Payments	376,012	190,401	263,487	73,086
Excess Fees	69,114	84,001	83,003	(998)
Licenses and Permits	35,814	37,423	37,182	(241)
Intergovernmental Revenue	2,036,744	2,316,995	986,254	(1,330,741)
Charges for Services	771,000	790,916	915,566	124,650
Miscellaneous	33,100	38,755	47,782	9,027
Interest	29,500	24,500	22,123	(2,377)
Total Revenues	<u>6,227,365</u>	<u>6,412,902</u>	<u>5,297,190</u>	<u>(1,115,712)</u>
<b>EXPENDITURES</b>				
General Government	1,532,629	1,562,080	1,042,441	519,639
Protection to Persons and Property	1,676,736	1,891,731	1,556,424	335,307
General Health and Sanitation	377,842	434,426	291,514	142,912
Social Services	194,576	198,246	166,427	31,819
Recreation and Culture	68,200	149,607	146,135	3,472
Airports	22,700	22,700	21,477	1,223
Capital Projects	1,002,952	1,047,974	209,933	838,041
Administration	1,222,060	1,421,448	1,077,183	344,265
Total Expenditures	<u>6,097,695</u>	<u>6,728,212</u>	<u>4,511,534</u>	<u>2,216,678</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>129,670</u>	<u>(315,310)</u>	<u>785,656</u>	<u>1,100,966</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds		3,760	3,760	
Transfers To Other Funds	(569,336)	(572,336)	(485,326)	87,010
Total Other Financing Sources (Uses)	<u>(569,336)</u>	<u>(568,576)</u>	<u>(481,566)</u>	<u>87,010</u>
Net Changes in Fund Balance	(439,666)	(883,886)	304,090	1,187,976
Fund Balance - Beginning	439,666	915,399	915,399	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 31,513</u>	<u>\$ 1,219,489</u>	<u>\$ 1,187,976</u>

WAYNE COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Required Supplementary Information - Modified Cash Basis  
 For The Year Ended June 30, 2009  
 (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	\$ 1,282	\$ 4,113	\$ 4,114	\$ 1
Intergovernmental Revenue	1,277,243	1,274,607	1,274,606	(1)
Miscellaneous	100	10,365	10,265	(100)
Interest	6,000	3,150	7,457	4,307
Total Revenues	<u>1,284,625</u>	<u>1,292,235</u>	<u>1,296,442</u>	<u>4,207</u>
<b>EXPENDITURES</b>				
Roads	1,314,485	1,272,655	1,164,207	108,448
Other Transportation Facilities and Services	7,960	16,410	13,788	2,622
Administration	120,180	115,976	105,803	10,173
Total Expenditures	<u>1,442,625</u>	<u>1,405,041</u>	<u>1,283,798</u>	<u>121,243</u>
Net Changes in Fund Balance	(158,000)	(112,806)	12,644	125,450
Fund Balance - Beginning	<u>158,000</u>	<u>112,806</u>	<u>112,805</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 125,449</u>	<u>\$ 125,449</u>

WAYNE COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Required Supplementary Information - Modified Cash Basis  
 For The Year Ended June 30, 2009  
 (Continued)

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,235,539	\$ 1,191,394	\$ 1,281,670	\$ 90,276
Charges for Services	39,000	29,886	26,735	(3,151)
Miscellaneous	34,300	34,606	34,329	(277)
Interest	3,000	2,250	1,976	(274)
Total Revenues	<u>1,311,839</u>	<u>1,258,136</u>	<u>1,344,710</u>	<u>86,574</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,306,373	1,316,427	1,249,753	66,674
Debt Service	311,600	312,600	312,600	
Administration	285,976	247,873	224,114	23,759
Total Expenditures	<u>1,903,949</u>	<u>1,876,900</u>	<u>1,786,467</u>	<u>90,433</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(592,110)</u>	<u>(618,764)</u>	<u>(441,757)</u>	<u>177,007</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	555,010	555,010	469,000	(86,010)
Total Other Financing Sources (Uses)	<u>555,010</u>	<u>555,010</u>	<u>469,000</u>	<u>(86,010)</u>
Net Changes in Fund Balance	(37,100)	(63,754)	27,243	90,997
Fund Balance - Beginning	37,100	63,765	63,666	(99)
Fund Balance - Ending	<u>\$</u>	<u>\$ 11</u>	<u>\$ 90,909</u>	<u>\$ 90,898</u>

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

**June 30, 2009**

**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

**General Fund**

Expenditures-Budgetary Basis	\$ 4,511,534
To Reclass Transfer To Airport Board	<u>(10,936)</u>
Expenditures-Modified Cash Basis	<u>4,500,598</u>
Other Financing Sources (Uses) -Budgetary Basis	(481,566)
To Reclass Transfer To Airport Board	<u>(10,936)</u>
Other Financing Sources (Uses) -Modified Cash Basis	<u>\$ (492,502)</u>

**Road Fund**

Expenditures-Budgetary Basis	\$ 1,283,798
To Record Purchase Of Bobcat	<u>28,637</u>
Expenditures-Modified Cash Basis	<u>1,312,435</u>
Other Financing Sources (Uses) -Budgetary Basis	\$
To Record Purchase Of Bobcat	<u>28,637</u>
Other Financing Sources (Uses) -Modified Cash Basis	<u>\$ 28,637</u>

**Jail Fund**

Expenditures-Budgetary Basis	\$ 1,786,467
To Reclass Debt Payment Transfer	<u>(309,600)</u>
Expenditures-Modified Cash Basis	<u>1,476,867</u>
Other Financing Sources (Uses) -Budgetary Basis	469,000
To Reclass Debt Payment Transfer	<u>(309,600)</u>
Other Financing Sources (Uses) -Modified Cash Basis	<u>\$ 159,400</u>

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

June 30, 2009



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

June 30, 2009

	<u>LGEA Fund</u>	<u>Homeland Security Fund</u>	<u>Emergency Management Fund</u>	<u>Timberland Tax Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 9,606	\$ 12	\$ 4,051	\$ 6,510	\$ 20,179
Total Assets:	<u>9,606</u>	<u>12</u>	<u>4,051</u>	<u>6,510</u>	<u>20,179</u>
<b>FUND BALANCES</b>					
Unreserved:					
Special Revenue Funds	<u>9,606</u>	<u>12</u>	<u>4,051</u>	<u>6,510</u>	<u>20,179</u>
Total Fund Balances	<u>\$ 9,606</u>	<u>\$ 12</u>	<u>\$ 4,051</u>	<u>\$ 6,510</u>	<u>\$ 20,179</u>

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

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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, 2009



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, 2009

	LGEA Fund	Homeland Security Fund	Emergency Management Fund	Timberland Tax Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Taxes	\$	\$	\$	\$ 3,385	\$ 3,385
Intergovernmental	32,912	3,760	9,640		46,312
Interest	215		49	63	327
Total Revenues	<u>33,127</u>	<u>3,760</u>	<u>9,689</u>	<u>3,448</u>	<u>50,024</u>
<b>EXPENDITURES</b>					
General Government	31,011				31,011
Protection to Persons and Property Administration	5,409		13,904	4,185	18,089
Total Expenditures	<u>36,420</u>		<u>13,904</u>	<u>4,185</u>	<u>54,509</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,293)</u>	<u>3,760</u>	<u>(4,215)</u>	<u>(737)</u>	<u>(4,485)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	9,484		6,842		16,326
Transfers To Other Funds		(3,760)			(3,760)
Total Other Financing Sources (Uses)	<u>9,484</u>	<u>(3,760)</u>	<u>6,842</u>		<u>12,566</u>
Net Change in Fund Balances	6,191		2,627	(737)	8,081
Fund Balances - Beginning	<u>3,415</u>	<u>12</u>	<u>1,424</u>	<u>7,247</u>	<u>12,098</u>
Fund Balances - Ending	<u>\$ 9,606</u>	<u>\$ 12</u>	<u>\$ 4,051</u>	<u>\$ 6,510</u>	<u>\$ 20,179</u>

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

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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**





## PEERCY AND GRAY, PSC

Certified Public Accountants

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Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

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, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 28, 2010. 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'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wayne County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

2009-1 The Airport Board Lacks An Adequate Segregation Of Duties

2009-2 The County Should Capitalize Capital Assets In Accordance With The Approved  
Capitalization Policy

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)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

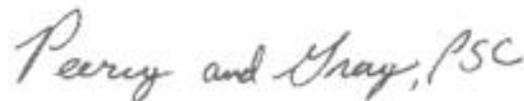
As part of obtaining reasonable assurance about whether Wayne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

2009-3 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140

The Wayne County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the official's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Percy and Gray, PSC

January 28, 2010

WAYNE COUNTY  
COMMENT AND RECOMMENDATION

*For The Year Ended June 30, 2009*



**WAYNE COUNTY  
COMMENT AND RECOMMENDATION  
For The Year Ended June 30, 2009**

**INTERNAL CONTROL - MATERIAL WEAKNESS**

**2009-1 The Airport Board Lacks An 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 receipts and disbursements ledgers.

Because the Airport Board bookkeeper handles all functions of the Airport Board and compensating controls were not in place, we noted the following:

- No evidence of review or printout of any general ledger detail or financial statements.
- The general ledger was incomplete and inaccurate:
  - The Beginning Net Assets were overstated by \$4,519. A review of the bank statements and the general ledger found a \$4,987 current year deposit and two current year checks totaling \$353 recorded in the prior year. In addition, there was one check for \$151 that cleared the bank, but was not recorded on the general ledger. Finally, there was \$36 in unknown overstatements.
  - We discovered errors in classification of revenues in the amounts of \$10,936.
- Sales tax was not paid timely resulting in \$394.91 in penalties and interest. There were four checks written for the months of February, April, May and June of 2009 that had not been cashed and were still outstanding as of November 30, 2009. The sales tax for the months of August, September, October and November of 2008 and January of 2009 were paid with one check written on February 2, 2009. There was no evidence in the manual and computer check registers that sales tax for these months were ever written monthly. The 1.75% vendor compensation was deducted on all of these forms, but is only allowed when the sales tax is filed and paid timely. It is likely the Airport Board will receive a notice from the state and will have to pay this back. We were told that there were problems with the postal service.

To adequately protect employees in the normal course of performing their duties, and/or prevent inaccurate financial reporting or misappropriation of assets, we recommend that:

- 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 these functions such as the Airport Board President.
- All outstanding checks should be investigated, and voided and reissued if necessary.

WAYNE COUNTY  
 COMMENT AND RECOMMENDATION  
 For The Year Ended June 30, 2009  
 (Continued)

**INTERNAL CONTROL - MATERIAL WEAKNESS** (Continued)

**2009-1 The Airport Board Lacks An Adequate Segregation Of Duties** (Continued)

- All invoices should be paid timely to avoid penalties and interest and that sales tax be paid online to avoid problems with the postal service.

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge Executive Greg Rankin's Response: The official did not respond.*

**2009-2 The County Should Capitalize Capital Assets In Accordance With The Approved Capitalization Policy**

During our testing of capital assets of the governmental entity, we discovered the following:

- The Cost to be depreciated column of the capital asset listing for land and buildings did not total correctly.
- The final payment for construction costs for the EMS building in the amount of \$45,022 was not capitalized.
- A Bobcat purchased with loan proceeds in the amount of \$28,637 was not capitalized.
- A down payment for an ambulance in the amount of \$20,940 was not capitalized. The amount should be recorded on the capital asset listing; however, depreciation should not be recorded until the final purchase of the ambulance takes place in the subsequent fiscal year.

During our testing of capital assets of the business-type entities, we discovered the following:

- Taxiway additions for 2008 in the amount of \$599,758 were not included on the current year Capital Asset Listing for Infrastructure for the Airport. Consequently, depreciation of \$23,990 was not recorded for these additions in the current year.
- Engineering services in the amount of \$38,752 for the Runway Light Rehabilitation Project for the Airport were not included as construction in progress as required by the capitalization policy.

We recommend that the county strengthen the controls over the recording of capital assets to ensure compliance with the county's capitalization policy.

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge Executive Greg Rankin's Response: The official did not respond.*

**STATE LAWS AND REGULATIONS**

**2009-3 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140**

During our audit testing, we noted that three of the seven invoices we tested were not paid within thirty (30) working days. Also, there were eleven of the twelve sales tax returns not paid timely.

WAYNE COUNTY  
COMMENT AND RECOMMENDATION  
For The Year Ended June 30, 2009  
(Continued)

STATE LAWS AND REGULATIONS (Continued)

2009-3 The Airport Board Should Pay Invoices Within Thirty Days As Required By KRS 65.140  
(Continued)

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 thirty (30) working days which follow receipt of vendor's invoice by the purchaser."

We recommend that the Airport Board comply with KRS 65.140 and pay all invoices within the required thirty (30) working days.

*Airport Board Chairman Ralph Davis's Response: The official did not respond.*

*County Judge Executive Greg Rankin's Response: The official did not respond.*

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

**WAYNE COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

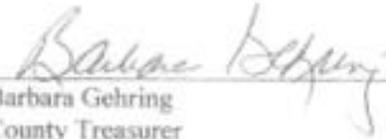
WAYNE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

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



\_\_\_\_\_  
Greg Rankin  
County Judge/Executive



\_\_\_\_\_  
Barbara Gehring  
County Treasurer

