

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

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WAYNE COUNTY FISCAL COURT

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Wayne County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Wayne County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$14,315,547 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,174,424 in its governmental activities as of June 30, 2011, with total net assets of \$10,881,227. In its business-type activities, total net cash and cash equivalents were \$49,751 with total net assets of \$3,434,320. The fiscal court had total debt principal as of June 30, 2011 of \$11,128,203 with \$697,447 due within the next year.

Report Comments:

- 2011-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140
- 2011-02 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements
- 2011-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties
- 2011-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes

Deposits:

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

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, 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, 2011, 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 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, 2011, 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 implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



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

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.

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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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 December 21, 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 comments and recommendations included herein, which discusses the following report comments:

- 2011-01 The Wayne County Airport Board Should Pay Expenditures Within Thirty Working Days As Required By KRS 65.140
- 2011-02 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements
- 2011-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties
- 2011-04 The Wayne County Airport Board Should Strengthen Internal Controls Over The Preparation And Maintenance Of The Airport Board Minutes

Respectfully submitted,



Adam H. Edelen
 Auditor of Public Accounts

December 21, 2011

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Greg Rankin	County Judge/Executive
Dale Vaughn	Magistrate
Jeffrey Dishman	Magistrate
Ronnie Turner	Magistrate
Troy Neal	Magistrate

Other Elected Officials:

Thomas G. Simmons	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

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

June 30, 2011

WAYNE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,695,070	\$ 49,751	\$ 1,744,821
Note Receivable (Cable System)	103,633		103,633
Total Current Assets	<u>1,798,703</u>	<u>49,751</u>	<u>1,848,454</u>
Noncurrent Assets:			
Note Receivable (Cable System)	1,580,098		1,580,098
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	9,645	59,999	69,644
Land and Land Improvements	936,035	110,312	1,046,347
Buildings	11,307,364	791,799	12,099,163
Other Equipment	892,138	4,490	896,628
Vehicles and Equipment	934,246	650	934,896
Infrastructure	4,528,701	2,439,819	6,968,520
Total Noncurrent Assets	<u>20,188,227</u>	<u>3,407,069</u>	<u>23,595,296</u>
Total Assets	<u>21,986,930</u>	<u>3,456,820</u>	<u>25,443,750</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable	535,000		535,000
Financing Obligations Payable	154,947	7,500	162,447
Total Current Liabilities	<u>689,947</u>	<u>7,500</u>	<u>697,447</u>
Noncurrent Liabilities:			
Revenue Bonds Payable	8,665,000		8,665,000
Financing Obligations Payable	1,750,756	15,000	1,765,756
Total Noncurrent Liabilities	<u>10,415,756</u>	<u>15,000</u>	<u>10,430,756</u>
Total Liabilities	<u>11,105,703</u>	<u>22,500</u>	<u>11,128,203</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,186,157	3,384,569	12,570,726
Restricted For:			
General Government	25,000		25,000
Protection to Persons and Property	15,896		15,896
General Health and Sanitation	112,051		112,051
Debt Service	367,699		367,699
Unrestricted	1,174,424	49,751	1,224,175
Total Net Assets	<u>\$ 10,881,227</u>	<u>\$ 3,434,320</u>	<u>\$ 14,315,547</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, 2011

WAYNE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,123,109	\$ 34,354	\$ 891,542	\$ 137,902
Protection to Persons and Property	3,090,912	1,009,391	1,393,661	79,759
General Health and Sanitation	322,010		189,213	
Social Services	96,787		50,000	
Recreation and Culture	83,885			
Transportation Facilities and Services	16,366			
Roads	1,126,154		1,278,962	706,891
Airports	30,118			
Debt Service	396,440			
Total Governmental Activities	8,285,781	1,043,745	3,803,378	924,552
Business-type Activities:				
Jail Canteen	334,147	314,800	30,501	
Airport Board	237,695	92,592	91,012	
Total Business-type Activities	571,842	407,392	121,513	
Total Primary Government	\$ 8,857,623	\$ 1,451,137	\$ 3,924,891	\$ 924,552

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Insurance Premium 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, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,059,311)	\$	\$ (2,059,311)
(608,101)		(608,101)
(132,797)		(132,797)
(46,787)		(46,787)
(83,885)		(83,885)
(16,366)		(16,366)
859,699		859,699
(30,118)		(30,118)
(396,440)		(396,440)
<u>(2,514,106)</u>		<u>(2,514,106)</u>
	11,154	11,154
	<u>(54,091)</u>	<u>(54,091)</u>
	<u>(42,937)</u>	<u>(42,937)</u>
<u>(2,514,106)</u>	<u>(42,937)</u>	<u>(2,557,043)</u>
\$ 770,200	\$	\$ 770,200
181,344		181,344
99,801		99,801
1,302,471		1,302,471
558,309		558,309
381,943		381,943
339,885		339,885
536,359		536,359
11,076	12	11,088
<u>4,181,388</u>	<u>12</u>	<u>4,181,400</u>
1,667,282	(42,925)	1,624,357
<u>9,213,945</u>	<u>3,477,245</u>	<u>12,691,190</u>
<u>\$ 10,881,227</u>	<u>\$ 3,434,320</u>	<u>\$ 14,315,547</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, 2011

WAYNE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,127,180	\$ 105,895	\$ 62,965	\$ 367,699
Total Assets	<u>1,127,180</u>	<u>105,895</u>	<u>62,965</u>	<u>367,699</u>
FUND BALANCES				
Restricted:				
General Government				
Protection to Persons and Property	11,009			
General Health and Sanitation	112,051			
Debt Service				367,699
Assigned:				
Protection to Persons and Property			62,965	
Roads		105,895		
Social Services	275			
Unassigned	<u>1,003,845</u>			
Total Fund Balances	<u>\$ 1,127,180</u>	<u>\$ 105,895</u>	<u>\$ 62,965</u>	<u>\$ 367,699</u>

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

WAYNE COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 31,331	\$ 1,695,070
<u>31,331</u>	<u>1,695,070</u>

25,000	25,000
4,887	15,896
	112,051
	367,699
1,444	64,409
	105,895
	275
	<u>1,003,845</u>
<u>\$ 31,331</u>	<u>\$ 1,695,070</u>

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

Total Fund Balances	\$ 1,695,070
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.	22,454,767
Accumulated Depreciation	(3,846,638)
Notes Receivable (Cable System)	1,683,731
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,905,703)
Bonds	<u>(9,200,000)</u>
Net Assets Of Governmental Activities	<u>\$ 10,881,227</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, 2011

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

For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Justice Center Project Fund</u>
REVENUES				
Taxes	\$ 3,077,968	\$	\$	\$
In Lieu Tax Payments	402,035	3,535		
Excess Fees	339,886			
Licenses and Permits	34,354			
Intergovernmental	962,622	1,985,853	1,208,926	587,645
Charges for Services	1,007,909		9,474	
Miscellaneous	224,141	12,923	73,661	
Interest	6,256	4,681	78	51
Total Revenues	<u>6,055,171</u>	<u>2,006,992</u>	<u>1,292,139</u>	<u>587,696</u>
EXPENDITURES				
Current:				
General Government	1,356,809			2,298
Protection to Persons and Property	1,785,445		1,415,116	
General Health and Sanitation	402,941			
Social Services	96,787			
Recreation and Culture	83,885			
Transportation Facilities and Services		16,366		
Roads		1,891,394		
Airports	30,118			
Debt Service	23,624	130,985		585,395
Administration	1,282,875	121,808	253,859	
Total Expenditures	<u>5,062,484</u>	<u>2,160,553</u>	<u>1,668,975</u>	<u>587,693</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>992,687</u>	<u>(153,561)</u>	<u>(376,836)</u>	<u>3</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	50,000			
Transfers From Other Funds		150,000	652,215	
Transfers To Other Funds	(831,706)		(311,100)	
Total Other Financing Sources (Uses)	<u>(781,706)</u>	<u>150,000</u>	<u>341,115</u>	
Net Change in Fund Balances	210,981	(3,561)	(35,721)	3
Fund Balances - Beginning	916,199	109,456	98,686	367,696
Fund Balances - Ending	<u>\$ 1,127,180</u>	<u>\$ 105,895</u>	<u>\$ 62,965</u>	<u>\$ 367,699</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, 2011
 (Continued)

<u>Detention Facility Project Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 3,377	\$ 3,081,345
		405,570
		339,886
		34,354
	7,678	4,752,724
		1,017,383
		310,725
	10	11,076
	<u>11,065</u>	<u>9,953,063</u>
	12,971	1,372,078
	4,185	3,204,746
		402,941
		96,787
		83,885
		16,366
		1,891,394
		30,118
311,100		1,051,104
	84	1,658,626
<u>311,100</u>	<u>17,240</u>	<u>9,808,045</u>
<u>(311,100)</u>	<u>(6,175)</u>	<u>145,018</u>
		50,000
311,100	29,491	1,142,806
		(1,142,806)
<u>311,100</u>	<u>29,491</u>	<u>50,000</u>
	23,316	195,018
	8,015	1,500,052
<u>\$ 0</u>	<u>\$ 31,331</u>	<u>\$ 1,695,070</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, 2011

**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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 195,018
<p>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.</p>	
Capital Outlay	2,068,832
Depreciation Expense	(647,410)
Assets Disposed of, Net Book Value	(553,822)
<p>Notes Receivable principal received are reported in the Governmental Funds as source of current financial resources. These transactions have no effect on net assets.</p>	
	(100,685)
<p>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.</p>	
Financing Obligation Proceeds	(50,000)
Financing Obligations Principal Payments	245,349
Bond Principal Payments	<u>510,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,667,282</u>

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

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

June 30, 2011

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

June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Jail Canteen Fund	Airport Board Fund	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 36,716	\$ 13,035	\$ 49,751
Total Current Assets	36,716	13,035	49,751
Noncurrent Assets:			
Capital Assets:			
Land and Land Improvements		110,312	110,312
Construction In Progress		59,999	59,999
Buildings		1,161,952	1,161,952
Infrastructure		2,932,537	2,932,537
Vehicles and Equipment	13,568	6,500	20,068
Less Accumulated Depreciation	(9,078)	(868,721)	(877,799)
Total Noncurrent Assets	4,490	3,402,579	3,407,069
Total Assets	41,206	3,415,614	3,456,820
Liabilities			
Current Liabilities			
Financing Obligations		7,500	7,500
Noncurrent Liabilities			
Financing Obligations		15,000	15,000
Total Liabilities		22,500	22,500
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,490	3,380,079	3,384,569
Unrestricted	36,716	13,035	49,751
Total Net Assets	\$ 41,206	\$ 3,393,114	\$ 3,434,320

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, 2011

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

For The Year Ended June 30, 2011

	Business-Type		
	Activities -		
	Enterprise		
	Fund		
	Jail	Airport	
	Canteen	Board	
	Fund	Fund	Totals
Operating Revenues			
Canteen Receipts	\$ 314,800	\$	\$ 314,800
Airport Receipts		92,592	92,592
Total Operating Revenues	<u>314,800</u>	<u>92,592</u>	<u>407,392</u>
Operating Expenses			
Cost of Sales	191,949	86,726	278,675
Sales Tax	13,308	2,507	15,815
Personnel Costs	64,109	2,579	66,688
Educational and Recreational	16,964		16,964
Office Supplies	2,999		2,999
Utilities		2,707	2,707
Maintenance	3,031	4,420	7,451
Insurance	5,773		5,773
Gasoline	1,448		1,448
Travel		337	337
Depreciation	251	137,324	137,575
Interest		600	600
Miscellaneous	2,759	195	2,954
Total Operating Expenses	<u>302,591</u>	<u>237,395</u>	<u>539,986</u>
Operating Income (Loss)	<u>12,209</u>	<u>(144,803)</u>	<u>(132,594)</u>
Nonoperating Revenues (Expenses)			
Program Support		21,500	21,500
Grant Receipts		69,512	69,512
Interest Income		12	12
Loss on Disposal of Asset		(300)	(300)
Medical Expenses	(8,277)		(8,277)
Inmate Pay From State	30,501		30,501
Inmate Refunds	(23,279)		(23,279)
Total Nonoperating Revenues			
(Expenses)	<u>(1,055)</u>	<u>90,724</u>	<u>89,669</u>
Change In Net Assets	11,154	(54,079)	(42,925)
Total Net Assets - Beginning (Restated)	30,052	3,447,193	3,477,245
Total Net Assets - Ending	<u>\$ 41,206</u>	<u>\$ 3,393,114</u>	<u>\$ 3,434,320</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, 2011

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

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Fund		
	Jail Canteen Fund	Airport Board Fund	Totals
Cash Flows From Operating Activities			
Receipts From Customers	\$ 314,800	\$ 92,592	\$ 407,392
Cash Payments to Suppliers	(191,949)	(86,726)	(278,675)
Cash Payments to Employees	(64,109)	(2,579)	(66,688)
Cash Payments to State (Sales Tax)		(2,507)	(2,507)
Cash Payments to Other Sources	(46,282)	(8,259)	(54,541)
Net Cash Provided By Operating Activities	<u>12,460</u>	<u>(7,479)</u>	<u>4,981</u>
Cash Flows From Noncapital Financing Activities			
Cash Program Support From Fiscal Court		21,500	21,500
Cash Inmate Pay Received From State	30,501		30,501
Cash Payments For Medical Expenses	(8,277)		(8,277)
Cash Payments To Inmates For Refunds On Accounts	(23,279)		(23,279)
Net Cash Provided By Noncapital Financing Activities	<u>(1,055)</u>	<u>21,500</u>	<u>20,445</u>
Cash Flows From Capital and Related Financing Activities			
Cash From State and Federal Monies		69,512	69,512
Cash Payments For Debt Service		(7,500)	(7,500)
Capital Outlay		(71,718)	(71,718)
Net Cash (Used) Provided By Capital and Related Financing Activities		<u>(9,706)</u>	<u>(9,706)</u>
Cash Flows From Investing Activities			
Interest Earned		12	12
Net Cash Provided By Investing Activities		<u>12</u>	<u>12</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,405	4,327	15,732
Cash and Cash Equivalents - July 1, 2010 (Restated)	<u>25,311</u>	<u>8,708</u>	<u>34,019</u>
Cash and Cash Equivalents - June 30, 2011	<u>\$ 36,716</u>	<u>\$ 13,035</u>	<u>\$ 49,751</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, 2011
 (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)	\$ 12,209	\$ (144,803)	\$ (132,594)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities			
Depreciation Expense	251	137,324	137,575
Net Cash Provided By Operating Activities	\$ 12,460	\$ (7,479)	\$ 4,981

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

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

June 30, 2011

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

June 30, 2011

	Agency Fund
	Jail Inmate Account
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 2,783
Total Assets	2,783
Liabilities	
Amounts Held In Custody For Others	2,783
Total Liabilities	2,783
Net Assets	
Total Net Assets	\$ 0

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, 2011

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.

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, 2011
(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, 2011
(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, 2011
(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: Emergency Management Fund, Timberland Tax Fund, and Federal Grant Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Emergency Management Fund, Timberland Tax Fund, and Federal 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.

Debt Service Funds:

The Justice Center Project Fund and the Detention Facility Project Fund are 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:

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.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary Funds (Continued)

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).

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.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

	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 non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, 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. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

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, 2011
(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, 2011, 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, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 936,035	\$	\$	\$ 936,035
Construction In Progress	521,222	9,645	(521,222)	9,645
Total Capital Assets Not Being Depreciated	1,457,257	9,645	(521,222)	945,680
Capital Assets, Being Depreciated:				
Buildings	12,027,492	503,418		12,530,910
Other Equipment	1,335,052	195,241	(120,000)	1,410,293
Vehicles and Equipment	1,841,019	367,493	(8,500)	2,200,012
Infrastructure	4,374,837	993,035		5,367,872
Total Capital Assets Being Depreciated	19,578,400	2,059,187	(128,500)	21,509,087

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Less Accumulated Depreciation For:				
Buildings	\$ (1,074,789)	\$ (148,757)	\$	\$ (1,223,546)
Other Equipment	(474,607)	(131,798)	88,250	(518,155)
Vehicles and Equipment	(1,121,277)	(152,139)	7,650	(1,265,766)
Infrastructure	(624,455)	(214,716)		(839,171)
Total Accumulated Depreciation	(3,295,128)	(647,410)	95,900	(3,846,638)
Total Capital Assets, Being Depreciated, Net	16,283,272	1,411,777	(32,600)	17,662,449
Government Activities Capital Assets, Net	\$ 17,740,529	\$ 1,421,422	\$ (553,822)	\$ 18,608,129

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

<u>Governmental Activities:</u>	<u>Depreciation</u>
General Government	\$ 154,245
Protection to Persons and Property	235,439
General Health and Sanitation	12,531
Roads, Including Depreciation of General Infrastructure Assets	245,195
Total Depreciation Expense - Governmental Activities	\$ 647,410

Capital asset activity for Business-Type Activities for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 110,312	\$	\$	\$ 110,312
Construction in Progress	408,257	9,476	(357,734)	59,999
Total Capital Assets Not Being Depreciated	518,569	9,476	(357,734)	170,311
Capital Assets, Being Depreciated:				
Buildings	1,161,952			1,161,952
Other Equipment	13,568			13,568
Vehicles and Equipment	9,500		(3,000)	6,500
Infrastructure	2,512,561	419,976		2,932,537
Total Capital Assets Being Depreciated	3,697,581	419,976	(3,000)	4,114,557

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Less Accumulated Depreciation For:				
Buildings	\$ (350,400)	\$ (19,753)	\$	\$ (370,153)
Other Equipment	(8,827)	(251)		(9,078)
Vehicles and Equipment	(8,280)	(270)	2,700	(5,850)
Infrastructure	(375,417)	(117,301)		(492,718)
Total Accumulated Depreciation	(742,924)	(137,575)	2,700	(877,799)
Total Capital Assets, Being Depreciated, Net	2,954,657	282,401	(300)	3,236,758
Business-type Activities Capital Assets, Net	\$ 3,473,226	\$ 291,877	\$ (358,034)	\$ 3,407,069

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

<u>Business-type Activities</u>	<u>Depreciation</u>
Jail Canteen	\$ 251
Airport	137,324
Total Depreciation Expense - Business Activities	\$ 137,575

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, 2011 were \$5,445,000. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 325,000	\$ 219,903
2013	340,000	206,603
2014	350,000	192,803
2015	365,000	178,503
2016	380,000	163,508
2017-2021	2,160,000	560,818
2022-2024	1,525,000	98,919
Totals	\$ 5,445,000	\$ 1,621,057

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Long-term Debt (Continued)

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, 2011 were \$440,000. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 25,000	\$ 16,911
2013	25,000	15,973
2014	30,000	14,943
2015	30,000	13,818
2016	30,000	12,693
2017-2021	170,000	43,851
2022-2024	130,000	8,200
Totals	<u>\$ 440,000</u>	<u>\$ 126,389</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 2006, the Public Properties Corporation issued General Obligation Refunding Bonds, Series 2006. A portion of this bond issue was used to defease the First Mortgage Revenue Bonds, Series 1999. As of June 30, 2011, the escrow account had a balance of \$15. On August 15, 2011, this amount was transferred to the 2006 Sinking Bond Fund.

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, 2011 were \$3,315,000. Future debt service requirements are as follows:

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Long-term Debt (Continued)

D. Detention Center – Series 2006 Refunding Bonds (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 185,000	\$ 128,900
2013	185,000	121,500
2014	195,000	113,900
2015	205,000	105,900
2016	215,000	97,500
2017-2021	1,190,000	350,800
2022-2025	<u>1,140,000</u>	<u>93,200</u>
Totals	<u>\$ 3,315,000</u>	<u>\$ 1,011,700</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, 2011 is \$22,500. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 7,500	\$ 450
2013	7,500	300
2014	<u>7,500</u>	<u>150</u>
Totals	<u>\$ 22,500</u>	<u>\$ 900</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(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, 2011 is \$1,683,731. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 103,633	\$ 51,836
2013	106,892	48,443
2014	110,046	45,135
2015	113,365	41,660
2016	116,718	38,151
2016-2020	638,801	133,038
2021-2025	494,276	30,489
Totals	<u>\$ 1,683,731</u>	<u>\$ 388,752</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	\$ 103,633
Long-Term Portion	<u>1,580,098</u>
Total	<u>\$ 1,683,731</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 and 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 refinanced the lease for one year. The principal balance as of June 30, 2011 was \$0.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Long-term Debt (Continued)

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, 2011 is \$111,777. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest & Fees
2012	\$ 15,314	\$ 3,771
2013	15,875	3,210
2014	16,456	2,629
2015	17,058	2,027
2016	17,682	1,403
2017-2018	29,392	872
Totals	<u>\$ 111,777</u>	<u>\$ 13,912</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 aid in 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, 2011 is \$60,085. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 20,000	\$ 2,347
2013	20,000	1,507
2014	20,085	545
Totals	<u>\$ 60,085</u>	<u>\$ 4,399</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Long-term Debt (Continued)

J. Ambulance

On February 8, 2011, the Wayne County Fiscal Court entered into a \$50,000 agreement with the Kentucky Association of Counties Leasing Trust Program to finance the aid in the purchase of an ambulance. Terms of the agreement stipulate a thirty-six month repayment schedule, with a variable interest rate ending on January 20, 2014. The principal balance as of June 30, 2011 is \$50,000. Future debt service requirements are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 16,000	\$ 1,107
2013	17,000	688
2014	17,000	255
Totals	<u>\$ 50,000</u>	<u>\$ 2,050</u>

K. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 9,710,000	\$	\$ 510,000	\$ 9,200,000	\$ 535,000
Financing Obligations	2,101,052	50,000	245,349	1,905,703	154,947
Governmental Activities Long-term Liabilities	<u>\$ 11,811,052</u>	<u>\$ 50,000</u>	<u>\$ 755,349</u>	<u>\$11,105,703</u>	<u>\$ 689,947</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-type Activities:</u>					
Long Term Airport Loan	<u>\$ 30,000</u>	<u>\$</u>	<u>\$ 7,500</u>	<u>\$ 22,500</u>	<u>\$ 7,500</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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

Debt Service on the Statement of Activities includes \$9,945 in interest on financing obligations and \$386,495 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 2009 was \$378,071, FY 2010 was \$441,706, and FY 2011 was \$507,698

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, 2011
(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, 2011, 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 \$9,213,945 has been adjusted due to changes in prior year ending cash balance, long-term debt balances, and capital assets balances. The net effect of these adjustments is an increase of \$36,891. Changes in the prior year balances will be detailed below as part of this note.

B. Changes In Long-term Liabilities

The primary government financing obligations beginning balance of \$2,101,052 has been adjusted to include a debt principal payment of \$5,000 not recorded in the prior year.

C. Capital Assets

The beginning asset balance for governmental activities has been adjusted to include \$41,891 for construction in progress not reported in the prior year.

D. Fund Balances (Business-Type Activities)

The business-type activities beginning fund balance for the Jail Canteen Fund has been adjusted a total of \$3,833 for a prior period adjustment. The adjustment was due to the inclusion of the Jail Inmate Account ending balance (a fiduciary fund) in the Jail Canteen Fund account balance. The adjustment decreases the beginning fund balance by \$3,833 and decreases net assets by the same amount.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 10. Change in Accounting Principle

The Wayne County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of Fund Balance on the Balance Sheet – Governmental Funds and the presentation of funds. The Local Government Economic Assistance Fund, Homeland Security Fund, and ARC Grant Fund previously presented no longer meet the definition of a special revenue fund and have now been combined with the General Fund. The implementation did not cause a restatement of total beginning fund balance or beginning net assets.

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

For The Year Ended June 30, 2011

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

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,899,560	\$ 3,060,875	\$ 3,077,968	\$ 17,093
In Lieu Tax Payments	360,000	378,965	402,035	23,070
Excess Fees	63,240	339,885	339,886	1
Licenses and Permits	36,255	34,659	34,354	(305)
Intergovernmental Revenue	327,427	815,116	937,830	122,714
Charges for Services	889,700	909,139	1,007,909	98,770
Miscellaneous	55,130	201,587	221,582	19,995
Interest	12,500	11,300	6,250	(5,050)
Total Revenues	<u>4,643,812</u>	<u>5,751,526</u>	<u>6,027,814</u>	<u>276,288</u>
EXPENDITURES				
General Government	1,064,361	1,629,791	1,323,411	306,380
Protection to Persons and Property	1,724,531	1,875,870	1,785,445	90,425
General Health and Sanitation	375,381	470,787	402,941	67,846
Social Services	66,666	99,806	96,787	3,019
Recreation and Culture	78,200	109,600	83,885	25,715
Airports	31,750	35,500	30,118	5,382
Debt Service		23,624	23,624	
Administration	1,363,137	1,523,595	1,265,038	258,557
Total Expenditures	<u>4,704,026</u>	<u>5,768,573</u>	<u>5,011,249</u>	<u>757,324</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(60,214)</u>	<u>(17,047)</u>	<u>1,016,565</u>	<u>1,033,612</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		50,000	50,000	
Transfers To Other Funds	(747,575)	(949,196)	(854,875)	94,321
Total Other Financing Sources (Uses)	<u>(747,575)</u>	<u>(899,196)</u>	<u>(804,875)</u>	<u>94,321</u>
Net Changes in Fund Balance	(807,789)	(916,243)	211,690	1,127,933
Fund Balance - Beginning	807,789	913,543	913,543	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,700)</u>	<u>\$ 1,125,233</u>	<u>\$ 1,127,933</u>

WAYNE COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2011
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 4,000	\$ 3,536	\$ 3,535	(1)
Intergovernmental Revenue	1,260,499	1,985,851	1,985,853	2
Miscellaneous	40	12,873	12,923	50
Interest	1,500	3,819	4,681	862
Total Revenues	<u>1,266,039</u>	<u>2,006,079</u>	<u>2,006,992</u>	<u>913</u>
EXPENDITURES				
Transportation Facilities and Services	14,750	17,908	16,366	1,542
Roads	1,211,862	1,919,790	1,891,394	28,396
Debt Services		130,985	130,985	
Administration	139,427	196,851	121,808	75,043
Total Expenditures	<u>1,366,039</u>	<u>2,265,534</u>	<u>2,160,553</u>	<u>104,981</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(259,455)</u>	<u>(153,561)</u>	<u>105,894</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	100,000	150,000	150,000	
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>150,000</u>	<u>150,000</u>	
Net Changes in Fund Balance		(109,455)	(3,561)	105,894
Fund Balance - Beginning		<u>109,455</u>	<u>109,456</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,895</u>	<u>\$ 105,895</u>

WAYNE COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2011
 (Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,194,459	\$ 1,133,884	\$ 1,208,926	\$ 75,042
Charges for Services	21,936	10,934	9,474	(1,460)
Miscellaneous	29,413	71,039	73,661	2,622
Interest	70	70	78	8
Total Revenues	<u>1,245,878</u>	<u>1,215,927</u>	<u>1,292,139</u>	<u>76,212</u>
EXPENDITURES				
Protection to Persons and Property	1,290,795	1,442,330	1,415,116	27,214
Administration	284,198	301,398	253,859	47,539
Total Expenditures	<u>1,574,993</u>	<u>1,743,728</u>	<u>1,668,975</u>	<u>74,753</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(329,115)</u>	<u>(527,801)</u>	<u>(376,836)</u>	<u>150,965</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	642,215	742,215	652,215	(90,000)
Transfers To Other Funds	(313,100)	(313,100)	(311,100)	2,000
Total Other Financing Sources (Uses)	<u>329,115</u>	<u>429,115</u>	<u>341,115</u>	<u>(88,000)</u>
Net Changes in Fund Balance		(98,686)	(35,721)	62,965
Fund Balance - Beginning		<u>98,686</u>	<u>98,686</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,965</u>	<u>\$ 62,965</u>

WAYNE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

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

Reconciliation of the General Fund

Total Revenues-Budgetary Basis	\$ 6,027,814
To adjust for LGEA Fund Revenues	<u>27,357</u>
Total Revenues-Modified Cash Basis	<u><u>\$ 6,055,171</u></u>
Total Expenditures-Budgetary Basis	\$ 5,011,249
To adjust for LGEA Fund Revenues	<u>51,235</u>
Total Expenditures-Modified Cash Basis	<u><u>\$ 5,062,484</u></u>
Total Other Financing Sources and Uses-Budgetary Basis	\$ (804,875)
To adjust for LGEA Fund Transfers In	<u>23,169</u>
Total Other Financing Sources and Uses-Modified Cash Basis	<u><u>\$ (781,706)</u></u>
Total Fund Balance-Beginning-Budgetary Basis	\$ 913,543
To adjust for LGEA Fund Beginning Balance	2,369
To adjust for Homeland Security Fund Beginning Balance	12
To adjust for ARC Fund Beginning Balance	<u>275</u>
Total Fund Balance-Beginning-Modified Cash Basis	<u><u>\$ 916,199</u></u>
Total Fund Balance-Ending-Budgetary Basis	\$ 1,125,233
To adjust for LGEA Fund Ending Balance	1,660
To adjust for Homeland Security Fund Ending Balance	12
To adjust for ARC Fund Ending Balance	<u>275</u>
Total Fund Balance-Ending-Modified Cash Basis	<u><u>\$ 1,127,180</u></u>

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

June 30, 2011

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

June 30, 2011

	Emergency Management Fund	Timberland Fund	Federal Grant Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	<u>\$ 1,444</u>	<u>\$ 4,887</u>	<u>\$ 25,000</u>	<u>\$ 31,331</u>
Total Assets	<u>1,444</u>	<u>4,887</u>	<u>25,000</u>	<u>31,331</u>
FUND BALANCES				
Restricted:				
General Government			25,000	25,000
Protection to Persons and Property		4,887		4,887
Assigned:				
Protection to Persons and Property	<u>1,444</u>			<u>1,444</u>
Total Fund Balances	<u>\$ 1,444</u>	<u>\$ 4,887</u>	<u>\$ 25,000</u>	<u>\$ 31,331</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, 2011

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, 2011

	Emergency Management Fund	Timberland Fund	Federal Grant Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 3,377	\$	\$ 3,377
Intergovernmental	7,678			7,678
Interest	2	8		10
Total Revenues	<u>7,680</u>	<u>3,385</u>		<u>11,065</u>
EXPENDITURES				
General Government	12,971			12,971
Protection to Persons and Property		4,185		4,185
Social Services				
Administration	84			84
Total Expenditures	<u>13,055</u>	<u>4,185</u>		<u>17,240</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(5,375)</u>	<u>(800)</u>		<u>(6,175)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	4,491		25,000	29,491
Total Other Financing Sources (Uses)	<u>4,491</u>		<u>25,000</u>	<u>29,491</u>
Net Change in Fund Balances	(884)	(800)	25,000	23,316
Fund Balances - Beginning	2,328	5,687		8,015
Fund Balances - Ending	<u>\$ 1,444</u>	<u>\$ 4,887</u>	<u>\$ 25,000</u>	<u>\$ 31,331</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**



ADAM H. EDELEN
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, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 21, 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

Management of the Wayne County Fiscal Court is responsible for establishing and maintaining effective 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 comments and recommendations, 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 comments and recommendations as items 2011-03 and 2011-04 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, 2011, 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 comments and recommendations as items 2011-01 and 2011-02.

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

Respectfully submitted,

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

Adam H. Edelen
Auditor of Public Accounts

December 21, 2011

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2011

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2011

STATE LAWS AND REGULATIONS

2011-01 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 7 out of 16 expenditures tested were not paid within thirty (30) working days as required by KRS 65.140.

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 Judge Executive’s Response: The official did not respond.

Wayne County Airport Board President’s Response: The expenditures in question that we were not able to pay in 30 days were for fuel that we were selling to the state of Ky because they were taken 60 to 90 days to pay us. Also effective 7/1/2011 that will not happen again for two reasons. First the state is now using credit cards that allow us to have the money for fuel sales to them in our checking account within two or three days and second the fiscal court has agreed to help us make sure our fuel bills are paid within 30 days if that situation arises in the future.

2011-02 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements

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; only one report was submitted to the FAA. 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
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2011-02 The Wayne County Airport Board Should Comply With Reporting Compliance Requirements In Accordance With OMB A-133 Requirements (Continued)

Wayne County Airport Board President's Response: We are being criticized for this item because the FAA Project Manager told the auditors that he only received one Quarterly Performance Report for the audit period which was the last year of the grant. Only three quarterly reports were due for this time period because the project was closed before the last one was due. These three reports were prepared and mailed to the FAA Project Manager along with a transmittal letters to him and copies were given to the auditors. I do not understand how the final payment was released to us and the project closed during the last quarter of the audit if the FAA did not have the required Quarterly Performance Reports.

Auditor's Reply: Auditor received copies of quarterly progress reports and transmittal coversheet; however, there were no documentation these had been submitted to the FAA. As stated in the comment above, the FAA Project Manager stated he only received one quarterly report for the audit period.

INTERNAL CONTROL – MATERIAL WEAKNESSES

2011-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties

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.
- Invoices not properly cancelled upon payment to avoid duplicate payments.
- Various invoices were missing. Auditor had to request and obtain from vendor.
- The bookkeeper was paid twice for month, which was subsequently repaid.

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.

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.

**WAYNE COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2011
(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESSES (Continued)

2011-03 The Wayne County Airport Board Lacks Adequate Segregation Of Duties (Continued)

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

Wayne County Airport Board President's Response: Effective 7/1/11 we have implemented stronger controls by utilizing additional employees from the fiscal court to help with receipt and disbursement duties.

2011-04 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. We noted there was no evidence of a board meeting from December 2010 through May 2011. During the review, we noted minutes from the board meetings are not being adequately prepared. Auditors were unable to determine if there was a quorum present at each meeting. 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 and reflect the actual meeting proceedings. It was noted that the financial statements are being presented but they are not sufficient. 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. 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: Also effective 7/1/11 with the help of other employees from the fiscal court we have adopted and implemented the same procedures for our meetings that the fiscal court now uses.

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

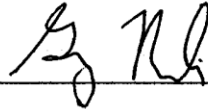
WAYNE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2011**

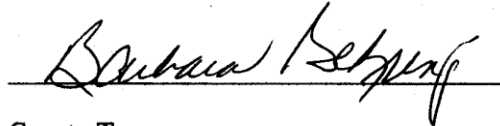
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WAYNE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

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

