REPORT OF THE AUDIT OF THE WAYNE COUNTY FISCAL COURT

For The Year Ended
June 30, 2018

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

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

MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Michael Anderson, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statement of Wayne County, Kentucky, for the year ended June 30, 2018.

We engaged Tichenor & Associates, LLP to perform the audit of this financial statement. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated the Wayne County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
WWW.AUDITOR.KY.GOV
AN EQUAL OPPORTUNITY EMPLOYER M / F / D

THIS PAGE LEFT BLANK INTENTIONALLY

CONTENTS PAGE

THIS PAGE LEFT BLANK INTENTIONALLY

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS
1700 EASTPOINT PARKWAY, SUITE 270
LOUISVILLE, KY 40223
BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: wtichenor@tichenorassociates.com

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Michael Anderson, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Independent Auditors' Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Wayne County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Wayne County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Michael Anderson, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Wayne County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Wayne County Fiscal Court as of June 30, 2018, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Wayne County Fiscal Court as of June 30, 2018, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

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

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

To the People of Kentucky
The Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
The Honorable Michael Anderson, Wayne County Judge/Executive
Members of the Wayne County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Wayne County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wayne County Fiscal Court's internal control over financial reporting and compliance.

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

2018-001 The Payroll Revolving Account Was Not Reconciled To Zero
2018-002 The Fiscal Court Lacks Internal Controls Over Bank Reconciliations

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky

December 7, 2018

WAYNE COUNTY OFFICIALS

For The Year Ended June 30, 2018

Fiscal Court Members:

Michael Anderson	County Judge/Executive
Ronnie Turner	Magistrate
Jeff Dishman	Magistrate
Dale Vaughn	Magistrate
Troy Neal	Magistrate

Other Elected Officials:

Tom Simmons	County Attorney
Harvey Shearer	Jailer
Brenda Corder	County Clerk
Tim Catron	Sheriff
Bobby Upchurch	Property Valuation Administrator
Forrest Hicks	Coroner

Appointed Personnel:

Barbara Gehring	County Treasurer
Peggy Baker	Finance Officer

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	$ 3,717,537	$	$
In Lieu Tax Payments	441,291	2,614	
Excess Fees	113,219		
Licenses and Permits	33,471		
Intergovernmental	485,759	2,013,741	1,569,252
Charges for Services	938,040		33,494
Miscellaneous	209,100	4,475	78,175
Interest	19,730	10,664	426
Total Receipts	5,958,147	2,031,494	1,681,347
DISBURSEMENTS			
General Government	1,329,400		
Protection to Persons and Property	1,785,828		1,571,115
General Health and Sanitation	633,467		
Social Services	61,230		
Recreation and Culture	154,205		
Transportation Facility and Services		28,821	
Roads		1,940,943	
Airports	49,305		
Debt Service	45,406	11,132	293,487
Administration	1,865,232	190,684	335,371
Total Disbursements	5,924,073	2,171,580	2,199,973
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	34,074	(140,086)	(518,626)
Other Adjustments to Cash (Uses)			
Jail Inmate Forfeited Funds			
Transfers From Other Funds			278,945
Transfers To Other Funds	(312,596)		
Total Other Adjustments to Cash (Uses)	(312,596)		278,945
Net Change in Fund Balance	(278,522)	(140,086)	(239,681)
Fund Balance - Beginning (Restated)	2,245,311	995,521	401,636
Fund Balance - Ending	$ 1,966,789	$ 855,435	$ 161,955
Composition of Fund Balance			
Bank Balance	$ 1,981,059	$ 855,678	$ 164,021
Less: Outstanding Checks	(14,270)	(243)	(2,066)
Fund Balance - Ending	$ 1,966,789	$ 855,435	$ 161,955

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

WAYNE COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2018
(Continued)

	Budgeted Funds			**Unbudgeted Funds**		
	Local Government Economic Assistance Fund	**Emergency Management Fund**	**Timberland Tax Fund**	**Justice Center Bond Fund**	**Jail Commissary Fund**	**Total Funds**
	$	$	$ 5,067	$	$	$3,722,604
						443,905
						113,219
						33,471
	22,813	14,507		585,675		4,691,747
					236,908	1,208,442
	1,134					292,884
	2	1	3	49		30,875
	23,949	14,508	5,070	585,724	236,908	10,537,147
	46,288					1,375,688
		12,294	4,185			3,373,422
						633,467
						61,230
					205,071	154,205
						28,821
						1,940,943
						49,305
				583,675		640,213
	24,605			2,000		2,417,892
	70,893	12,294	4,185	585,675	205,071	11,173,744
	(46,944)	2,214	885	49	31,837	(636,597)
					441	441
	33,651					312,596
						(312,596)
	33,651				441	441
	(13,293)	2,214	885	49	32,278	(636,156)
	13,596	9,952	2,851	3,095	150,778	3,822,740
	$ 303	$ 12,166	$ 3,736	$ 3,144	$ 183,056	$3,186,584
	$ 303	$ 12,971	$ 3,736	$ 3,144	$ 189,131	$3,210,043
		(805)			(6,075)	(23,459)
	$ 303	$ 12,166	$ 3,736	$ 3,144	$ 183,056	$3,186,584

INDEX FOR NOTES
TO THE FINANCIAL STATEMENT

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2018

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Wayne County includes all budgeted and unbudgeted funds under the control of the Wayne County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Emergency Management Fund **-** The primary purpose of this fund is to account for emergency management personnel and expenses for the county. The primary source of receipts for this fund is a federal reimbursement grant. The Emergency Management (EMA) Program is a program with 50% federal reimbursement of local funds to support local emergency preparedness activities.

Timberland Tax Fund **-** This fund is used to account for taxes collected for protection of forest lands.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Justice Center Bond 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 the fiscal court and the Administrative Office of the Courts (AOC), Commonwealth of Kentucky. The Department for Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund **-** The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

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

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

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

The state local finance officer does not require the justice center bond fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

E. Wayne County Elected Officials

Kentucky law provides for election of the officials listed 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 statement of the Wayne County Fiscal Court.

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

F. Deposits

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

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

G. Long-term Obligations

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

H. Related Obligations and Joint Ventures

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met as of June 30, 2018.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2018.

	General Fund	Total Transfers In
Jail Fund	$ 278,945	$ 278,945
LGEA Fund	33,651	33,651
Total Transfers Out	$ 312,596	$ 312,596

Reason for transfers:

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt

A. Justice Center-Series 2012 First Mortgage Refunding Revenue Bonds

On March 6, 2012, the public properties corporation issued $5,465,000 of first mortgage refunding revenue bonds to pay off the 2003 and 2005 series bonds which were originally issued for construction of the Wayne County Judicial Center. The bonds maturity serially through September 1, 2023, and require annual principal payments on September 1 and semi - annual interest payments at various interest rates on March 1 and September 1 each year. Bonds outstanding as of June 30, 2018, total $3,210,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	$ 495,000	$ 87,638
2020	510,000	73,800
2021	525,000	58,275
2022	545,000	42,225
2023	560,000	25,650
2024	575,000	8,625
Totals	$3,210,000	$296,213

B. Detention Center-Series 2015 General Obligation Lease

On August 12, 2015, the Wayne County Fiscal Court entered into a $2,615,000 general obligation lease for the purpose of financing the current general obligation refunding bonds, Series 2006 dated March 1, 2006, for the Wayne County Detention Center Project. The bonds mature serially through November 2024. Principal payments are due annually on November 1 and semi-annual interest payments at 2.5 percent are due on November 1 and May 1 each year. The principal balance as of June 30, 2018, is $1,884,783. Future principal and interest service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	$ 249,486	$ 44,001
2020	255,802	37,685
2021	262,279	31,209
2022	268,918	24,569
2023	275,727	17,761
2024-2025	572,571	14,403
Totals	$1,884,783	$169,628

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

C. Cable System Loan/Note 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 20-year repayment schedule beginning December 2004, with interest of 2.23 percent. The annual debt service is to be paid from the cable service fees collected. The principal balance as of June 30, 2018, is $899,261. Future principal and interest service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	$ 127,321	$ 27,342
2020	131,119	23,147
2021	135,127	18,826
2022	139,168	14,374
2023	143,359	11,543
2024-2025	223,167	7,456
Totals	$ 899,261	$ 102,688

The county has also recorded a note receivable due from the City of Monticello for the amount of the debt incurred by the county as of June 30, 2018, as follows:

Current Portion	$ 127,321
Long-Term Portion	771,940
Total	$ 899,261

D. John Deere Grader

On March 17, 2008, the Wayne County Fiscal Court entered into a $160,514 agreement with a bank for the acquisition of a John Deere Grader. Terms of the agreement stipulate a ten-year repayment schedule, with a 3.96 percent fixed interest rate and monthly principal and interest payments ending on January 17, 2018. The John Deere Grader was paid off during FY18.

E. Fire Truck

On February 12, 2013, the Wayne County Fiscal Court entered into a $190,750 agreement with the Kentucky Association of Counties Leasing Trust Program to finance the purchase of a fire truck. Terms of the agreement stipulate an 84-month repayment schedule, with a fixed interest rate of 3.419 percent ending on February 20, 2020. The principal balance as of June 30, 2018, is $48,698. Future principal and interest requirements are:

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

E. Fire Truck (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	$ 28,963	$ 1,214
2020	19,735	254
Totals	$ 48,698	$ 1,468

F. Recycling Center

On December 15, 2015, the Wayne County Fiscal Court entered into a $225,000 agreement with a bank for the acquisition of a recycling center. Terms of the agreement stipulate a 15-year repayment schedule, with 1.16 percent fixed interest rate and monthly principal and interest payments ending November 15, 2030. The principal balance as of June 30, 2018, is $173,235. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2019	$ 13,068	$ 1,932
2020	13,215	1,785
2021	13,373	1,627
2022	13,528	1,472
2023	13,686	1,314
2024-2028	70,844	4,156
2029-2031	35,521	729
Totals	$ 173,235	$ 13,015

G. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	$ 3,695,000	$	$ 485,000	$ 3,210,000	$ 495,000
General Obligation Refunding Lease	$ 2,128,109		$ 243,326	$ 1,884,783	$ 249,486
Financing Obligations	1,296,924		175,730	1,121,194	169,352
Total Long-term Debt	$ 7,120,033	$ 0	$ 904,056	$ 6,215,977	$ 913,838

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The county's contribution for FY 2016 was $583,430, FY 2017 was $692,015, and FY 2018 was $726,885.

Nonhazardous

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

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

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

The county's contribution rate for nonhazardous employees was 19.18 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index. Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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

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

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

Tier 2-member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a $5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at https://kyret.ky.gov. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

Note 6. Deferred Compensation

The 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 at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2018, the Wayne County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 8. Prior Period Adjustments

The beginning balance of the General, Road, Jail, and Jail Commissary funds were restated due to prior period adjustments of $545, $17, $935, and $1,159 respectively.

	General Fund	Road Fund	Jail Fund	Jail Commissary Fund
Beginning Balance	$ 2,244,766	$ 995,504	$ 400,701	$ 149,619
Prior Period Adjustment	542	15	937	77
Jail Inmate Forfeited Funds				1,082
Rounding	3	2	(2)	
Restated Beginning Balance	$ 2,245,311	$ 995,521	$ 401,636	$ 150,778

Note 9. Litigation

For the year ended June 30, 2018, the Wayne County Fiscal Court has three pending litigation cases. Two are being handled through the county’s insurance provider, Kentucky Association of Counties (KACo). One has been dismissed, but is being appealed.

THIS PAGE LEFT BLANK INTENTIONALLY

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 3,196,000	$ 3,662,356	$ 3,717,537	$ 55,181
In Lieu Tax Payments	413,000	436,021	441,291	5,270
Excess Fees	37,100	113,218	113,219	1
Licenses and Permits	33,741	33,741	33,471	(270)
Intergovernmental	366,115	421,631	485,759	64,128
Charges for Services	955,000	927,787	938,040	10,253
Miscellaneous	148,100	200,613	209,100	8,487
Interest	10,100	10,100	19,730	9,630
Total Receipts	5,159,156	5,805,467	5,958,147	152,680
DISBURSEMENTS				
General Government	1,434,619	1,534,504	1,329,400	205,104
Protection to Persons and Property	1,853,053	1,943,558	1,785,828	157,730
General Health and Sanitation	336,366	706,516	633,467	73,049
Social Services	76,110	81,210	61,230	19,980
Recreation and Culture	142,250	173,250	154,205	19,045
Airports	53,000	53,000	49,305	3,695
Debt Service	45,407	45,407	45,406	1
Administration	2,639,722	3,200,734	1,865,232	1,335,502
Total Disbursements	6,580,527	7,738,179	5,924,073	1,814,106
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,421,371)	(1,932,712)	34,074	1,966,786
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds	(312,596)	(312,596)	(312,596)	
Total Other Adjustments to Cash (Uses)	(312,596)	(312,596)	(312,596)	
Net Change in Fund Balance	(1,733,967)	(2,245,308)	(278,522)	1,966,786
Fund Balance - Beginning (Restated)	1,733,967	2,245,308	2,245,311	3
Fund Balance - Ending	$ 0	$ 0	$ 1,966,789	$ 1,966,789

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	$ 2,250	$ 629	$ 2,614	$ 1,985
Intergovernmental	2,157,880	2,085,858	2,013,741	(72,117)
Miscellaneous	4,100	4,100	4,475	375
Interest	7,650	7,650	10,664	3,014
Total Receipts	2,171,880	2,098,237	2,031,494	(66,743)
DISBURSEMENTS				
Transportation Facilities and Services	30,400	35,700	28,821	6,879
Roads	2,514,874	2,447,271	1,940,943	506,328
Debt Service	29,054	29,054	11,132	17,922
Administration	601,416	581,816	190,684	391,132
Total Disbursements	3,175,744	3,093,841	2,171,580	922,261
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,003,864)	(995,604)	(140,086)	855,518
Net Change in Fund Balance	(1,003,864)	(995,604)	(140,086)	855,518
Fund Balance - Beginning (Restated)	1,003,864	995,604	995,521	(83)
Fund Balance - Ending	$ 0	$ 0	$ 855,435	$ 855,435

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

JAIL FUND

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	$ 1,752,500	$ 1,574,089	$ 1,569,252	$ (4,837)
Charges for Services	30,100	31,680	33,494	1,814
Miscellaneous	66,510	73,322	78,175	4,853
Interest	25	435	426	(9)
Total Receipts	1,849,135	1,679,526	1,681,347	1,821
DISBURSEMENTS				
Protection to Persons and Property	1,653,133	1,701,033	1,571,115	129,918
Debt Service	294,487	294,488	293,487	1,001
Administration	518,469	364,586	335,371	29,215
Total Disbursements	2,466,089	2,360,107	2,199,973	160,134
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(616,954)	(680,581)	(518,626)	161,955
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	278,945	278,945	278,945	
Total Other Adjustments to Cash (Uses)	278,945	278,945	278,945	
Net Change in Fund Balance	(338,009)	(401,636)	(239,681)	161,955
Fund Balance - Beginning (Restated)	338,009	401,636	401,636	
Fund Balance - Ending	$ 0	$ 0	$ 161,955	$ 161,955

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 30,000	$ 30,000	$ 22,813	$ (7,187)
Miscellaneous	950	950	1,134	184
Interest	1	1	2	1
Total Receipts	30,951	30,951	23,949	(7,002)
DISBURSEMENTS				
General Government	50,532	50,932	46,288	4,644
Administration	25,001	27,266	24,605	2,661
Total Disbursements	75,533	78,198	70,893	7,305
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(44,582)	(47,247)	(46,944)	303
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	33,651	33,651	33,651	
Total Other Adjustments to Cash (Uses)	33,651	33,651	33,651	
Net Change in Fund Balance	(10,931)	(13,596)	(13,293)	303
Fund Balance - Beginning	10,931	13,596	13,596	
Fund Balance - Ending	$ 0	$ 0	$ 303	$ 303

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	EMERGENCY MANAGEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 7,245	$ 12,866	$ 14,507	$ 1,641
Interest	1	1	1	
Total Receipts	7,246	12,867	14,508	1,641
DISBURSEMENTS				
Protection to Persons and Property	16,190	17,430	12,294	5,136
Administration	1,090	5,389		5,389
Total Disbursements	17,280	22,819	12,294	10,525
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,034)	(9,952)	2,214	12,166
Net Change in Fund Balance	(10,034)	(9,952)	2,214	12,166
Fund Balance - Beginning	10,034	9,952	9,952	
Fund Balance - Ending	$ 0	$ 0	$ 12,166	$ 12,166

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	TIMBERLAND TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 4,800	$ 4,800	$ 5,067	$ 267
Interest	2	2	3	1
Total Receipts	4,802	4,802	5,070	268
DISBURSEMENTS				
Protection to Persons and Property	5,000	5,000	4,185	815
Administration	2,602	2,602		2,602
Total Disbursements	7,602	7,602	4,185	3,417
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,800)	(2,800)	885	3,685
Net Change in Fund Balance	(2,800)	(2,800)	885	3,685
Fund Balance - Beginning	2,800	2,800	2,851	51
Fund Balance - Ending	$ 0	$ 0	$ 3,736	$ 3,736

WAYNE COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2018

Note 1. Budgetary Information

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

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

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

THIS PAGE LEFT BLANK INTENTIONALLY

WAYNE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

WAYNE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Buildings	$ 13,663,016	$ 272,587	$	$13,935,603
Vehicles	3,071,249	131,695		3,202,944
Equipment	2,368,388	264,556	22,036	2,610,908
Infrastructure	10,442,053	1,019,552		11,461,605
Construction in Progress	76,833		76,833	
Total Capital Assets	$ 29,621,539	$ 1,688,390	$ 98,869	$31,211,060

WAYNE COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2018

Note 1. Capital Assets

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Equipment	2,500	4-25
Vehicles	2,500	4-25
Infrastructure	20,000	10-50

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

THIS PAGE LEFT BLANK INTENTIONALLY

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS
1700 EASTPOINT PARKWAY, SUITE 270
LOUISVILLE, KY 40223
BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: wtichenor@tichenorassociates.com

The Honorable Michael Anderson, 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 The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditors' Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances **-** Regulatory Basis of the Wayne County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Wayne County Fiscal Court's financial statement and have issued our report thereon dated December 7, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, which are described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as items 2018-001 and 2018-002.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wayne County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky

December 7, 2018

WAYNE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

WAYNE COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2018

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2018-001 The Payroll Revolving Account Was Not Reconciled To Zero

The county payroll officer reconciles the payroll account each month but is unable to reconcile it to zero after considering all payroll liabilities.

Due to a lack of controls this issue is allowed to happen.

Good internal controls dictate that the payroll revolving account be reconciled to zero or a minimal carrying balance.

Since the payroll account has not been reconciled to zero or to a minimal carrying balance, there could be monies in the payroll account which belong to other funds of the fiscal court.

We recommend the payroll account be properly reconciled and the fiscal court establish internal controls to determine that the account is properly handled.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We will start reconciling monthly to better determine why it is not reconciling to zero.

2018-002 The Fiscal Court Lacks Internal Controls Over Bank Reconciliations

The June 30, 2018 bank reconciliation did not tie to the fourth quarter report. The bank reconciliation for the road fund incorrectly reported $734,243 of deposits in transit.

Due to a lack of controls this issue was allowed to happen.

Good internal controls dictate that bank reconciliations be completed monthly and those reconciliations need to be reviewed by someone other than the preparer.

Having lack of controls over bank reconciliations could result in theft or misappropriation of funds.

We recommend the fiscal court implement controls over the bank reconciliations to prevent this issue in the future.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Both the Finance Officer and the County Judge/Executive will review each reconciliation to ensure that this does not happen in the future.

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

WAYNE COUNTY FISCAL COURT

For The Year Ended June 30, 2018

Appendix A

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

WAYNE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2018

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

Barbara Ostrowski

County Treasurer