

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

**For The Year Ended  
June 30, 2019**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's 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, 2019, 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.



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### **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, 2019, 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, 2019, 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 and Other 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 (supplementary information) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

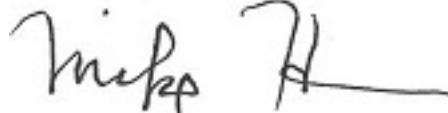
The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

To the People of Kentucky  
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The Honorable Mike 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 April 2, 2020, 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

April 2, 2020

**WAYNE COUNTY OFFICIALS****For The Year Ended June 30, 2019****Fiscal Court Members:**

Mike Anderson	County Judge/Executive
Ronnie Turner	Magistrate
Jeffrey Dishman	Magistrate
Dale Vaughn	Magistrate
Jonathan Dobbs	Magistrate

**Other Elected Officials:**

Thomas Simmons	County Attorney
Ronnie Ellis	Jailer
Heather Piercy	County Clerk
Patricia Lay	Circuit Court Clerk
Tim Catron	Sheriff
Bobby Upchurch	Property Valuation Administrator
Gordon Hicks	Coroner

**Appointed Personnel:**

Barbara Gehring	County Treasurer
Peggy Baker	Finance Officer
Nancy Allen	Occupational Tax Administrator



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

**For The Year Ended June 30, 2019**

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

**For The Year Ended June 30, 2019**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 3,718,293	\$	\$
In Lieu Tax Payments	456,137	2,312	
Excess Fees	136,334		
Licenses and Permits	34,462		
Intergovernmental	1,148,128	1,969,690	1,604,008
Charges for Services	978,516		30,418
Miscellaneous	495,254	5,053	71,699
Interest	24,467	15,556	13
Total Receipts	<u>6,991,591</u>	<u>1,992,611</u>	<u>1,706,138</u>
<b>DISBURSEMENTS</b>			
General Government	1,421,965		
Protection to Persons and Property	1,696,672		1,624,589
General Health and Sanitation	738,836		
Social Services	87,576		
Recreation and Culture	146,974		
Transportation Facility and Services		35,158	
Roads		1,934,175	
Airports	50,010		
Debt Service	199,390		
Capital Projects			293,487
Administration	2,038,284	206,634	358,985
Total Disbursements	<u>6,379,707</u>	<u>2,175,967</u>	<u>2,277,061</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>611,884</u>	<u>(183,356)</u>	<u>(570,923)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Prior Year Adjustment	1,618	208	
Transfers From Other Funds	160,978		649,549
Transfers To Other Funds	(1,307,971)	(160,978)	
Total Other Adjustments to Cash (Uses)	<u>(1,145,375)</u>	<u>(160,770)</u>	<u>649,549</u>
Net Change in Fund Balance	(533,491)	(344,126)	78,626
Fund Balance - Beginning	<u>1,966,789</u>	<u>855,435</u>	<u>161,955</u>
Fund Balance - Ending	<u>\$ 1,433,298</u>	<u>\$ 511,309</u>	<u>\$ 240,581</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,525,278	\$ 519,953	\$ 254,535
Less: Outstanding Checks	(91,980)	(8,644)	(13,954)
Fund Balance - Ending	<u>\$ 1,433,298</u>	<u>\$ 511,309</u>	<u>\$ 240,581</u>

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, 2019**  
**(Continued)**

Local Government Economic Assistance Fund	Budgeted Funds		Unbudgeted Funds		Total Funds
	Emergency Management Fund	Timberland Tax Fund	Justice Center Bond Fund	Jail Commissary Fund	
\$	\$	\$ 4,986	\$	\$	\$ 3,723,279
					458,449
					136,334
					34,462
27,338	12,181				4,761,345
					1,008,934
1,640				212,188	785,834
1	1	25	76		40,139
<u>28,979</u>	<u>12,182</u>	<u>5,011</u>	<u>76</u>	<u>212,188</u>	<u>10,948,776</u>
64,991					1,486,956
	12,570	4,185			3,338,016
					738,836
					87,576
				212,864	359,838
					35,158
					1,934,175
					50,010
			584,638		784,028
					293,487
<u>26,346</u>					<u>2,630,249</u>
<u>91,337</u>	<u>12,570</u>	<u>4,185</u>	<u>584,638</u>	<u>212,864</u>	<u>11,738,329</u>
<u>(62,358)</u>	<u>(388)</u>	<u>826</u>	<u>(584,562)</u>	<u>(676)</u>	<u>(789,553)</u>
				485	2,311
73,784			584,638		1,468,949
					(1,468,949)
<u>73,784</u>			<u>584,638</u>	<u>485</u>	<u>2,311</u>
11,426	(388)	826	76	(191)	(787,242)
303	12,166	3,736	3,144	183,056	3,186,584
<u>\$ 11,729</u>	<u>\$ 11,778</u>	<u>\$ 4,562</u>	<u>\$ 3,220</u>	<u>\$ 182,865</u>	<u>\$ 2,399,342</u>
\$ 13,067	\$ 11,783	\$ 4,562	\$ 3,220	\$ 190,305	\$ 2,522,703
(1,338)	(5)			(7,440)	(123,361)
<u>\$ 11,729</u>	<u>\$ 11,778</u>	<u>\$ 4,562</u>	<u>\$ 3,220</u>	<u>\$ 182,865</u>	<u>\$ 2,399,342</u>

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

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**WAYNE COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

**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.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

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

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**

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.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(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.

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 this fund annually.

**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.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

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

**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.

**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.

**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, 2019, 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 2019.

	General Fund	Road Fund	Total Transfers In
General Fund	\$	\$ 160,978	\$ 160,978
Jail Fund	649,549		649,549
LGEA Fund	73,784		73,784
Justice Center Bond Fund	584,638		584,638
Total Transfers Out	<u>\$ 1,307,971</u>	<u>\$ 160,978</u>	<u>\$ 1,468,949</u>

Reason for transfers:

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



**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. 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, 2019, is \$771,940. Future principal and interest service requirements are:

Fiscal Year Ended June 30	Principal	Interest & Fees
2020	\$ 131,119	\$ 23,621
2021	135,127	21,550
2022	139,168	16,623
2023	143,359	11,543
2024	147,669	6,312
2025	75,498	1,144
	<u>\$ 771,940</u>	<u>\$ 80,793</u>

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, 2019, as follows:

Current Portion	\$ 131,119
Long-term Portion	<u>640,821</u>
	<u>\$ 771,940</u>

**2. 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, 2019, is \$19,735. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest & Fees
2020	\$ 19,735	\$ 254
	<u>\$ 19,735</u>	<u>\$ 254</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

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

**A. Direct Borrowings and Direct Placements (Continued)**

**3. 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, 2019, is \$160,167. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest & Fees
2020	\$ 13,215	\$ 1,785
2021	13,373	1,627
2022	13,528	1,472
2023	13,686	1,314
2024	13,841	1,159
2025-2029	71,670	3,330
2030-2031	20,854	396
	<u>\$ 160,167</u>	<u>\$ 11,083</u>

**B. Other Debt**

**1. 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, 2019, total \$2,715,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest & Fees
2020	\$ 510,000	\$ 75,800
2021	525,000	60,275
2022	545,000	44,225
2023	560,000	27,650
2024	575,000	8,625
	<u>\$ 2,715,000</u>	<u>\$ 216,575</u>

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

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

**B. Other Debt (Continued)**

**2. 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, 2019, is \$1,635,297. Future principal and interest service requirements are:

Fiscal Year Ended June 30	Principal	Interest & Fees
2020	\$ 255,802	\$ 37,685
2021	262,279	31,209
2022	268,918	24,569
2023	275,727	17,761
2024	282,707	10,780
2025	289,864	3,623
	<u>\$ 1,635,297</u>	<u>\$ 125,627</u>

**C. Changes in Long-Term Debt**

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 3,210,000	\$	\$ 495,000	\$ 2,715,000	\$ 510,000
General Obligation Refunding Lease	1,884,783		249,486	1,635,297	255,802
Direct Borrowings and Direct Placements	1,121,195		169,353	951,842	164,069
Total Long-term Debt	<u>\$ 6,215,978</u>	<u>\$</u>	<u>\$ 913,839</u>	<u>\$ 5,302,139</u>	<u>\$ 929,871</u>

**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 2017 was \$692,015, FY 2018 was \$726,885, and FY 2019 was \$846,774.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

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 21.48 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:

<b>Years of Service</b>	<b>% Paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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.

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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, they 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 percent. 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 percent 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 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

E. Death Benefit

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

**WAYNE COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2019**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

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 501 High Street, 2<sup>nd</sup> Floor, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2019, 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.

**Note 8. Contingencies**

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

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**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,635,350	\$ 3,662,362	\$ 3,718,293	\$ 55,931
In Lieu Tax Payments	430,000	452,167	456,137	3,970
Excess Fees	39,825	136,334	136,334	
Licenses and Permits	33,436	33,602	34,462	860
Intergovernmental	344,307	1,196,192	1,148,128	(48,064)
Charges for Services	931,000	941,150	978,516	37,366
Miscellaneous	160,025	415,598	495,254	79,656
Interest	11,390	11,390	24,467	13,077
Total Receipts	<u>5,585,333</u>	<u>6,848,795</u>	<u>6,991,591</u>	<u>142,796</u>
<b>DISBURSEMENTS</b>				
General Government	1,496,747	1,620,493	1,421,965	198,528
Protection to Persons and Property	1,781,239	1,842,643	1,696,672	145,971
General Health and Sanitation	355,866	855,416	738,836	116,580
Social Services	78,183	94,533	87,576	6,957
Recreation and Culture	162,500	163,150	146,974	16,176
Airports	50,000	50,868	50,010	858
Debt Service	45,180	788,227	199,390	588,837
Administration	2,231,962	2,838,609	2,038,284	800,325
Total Disbursements	<u>6,201,677</u>	<u>8,253,939</u>	<u>6,379,707</u>	<u>1,874,232</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(616,344)</u>	<u>(1,405,144)</u>	<u>611,884</u>	<u>2,017,028</u>
<b>Other Adjustments to Cash (Uses)</b>				
Prior Year Adjustment	100.00	710.00	1,618	908
Transfers From Other Funds	160,978	160,978	160,978	
Transfers To Other Funds	(703,333)	(723,333)	(1,307,971)	(584,638)
Total Other Adjustments to Cash (Uses)	<u>(542,255)</u>	<u>(561,645)</u>	<u>(1,145,375)</u>	<u>(583,730)</u>
Net Change in Fund Balance	(1,158,599)	(1,966,789)	(533,491)	1,433,298
Fund Balance - Beginning	<u>1,158,599</u>	<u>1,966,789</u>	<u>1,966,789</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,433,298</u>	<u>\$ 1,433,298</u>

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
In Lieu Tax Payments	\$ 650	\$ 2,172	\$ 2,312	\$ 140
Intergovernmental	2,150,919	2,180,538	1,969,690	(210,848)
Miscellaneous	4,100	4,259	5,053	794
Interest	6,950	7,013	15,556	8,543
Total Receipts	<u>2,162,619</u>	<u>2,193,982</u>	<u>1,992,611</u>	<u>(201,371)</u>
<b>DISBURSEMENTS</b>				
Transportation Facilities and Services	31,863	39,463	35,158	4,305
Roads	2,346,203	2,584,126	1,934,175	649,951
Administration	279,366	264,864	206,634	58,230
Total Disbursements	<u>2,657,432</u>	<u>2,888,453</u>	<u>2,175,967</u>	<u>712,486</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(494,813)</u>	<u>(694,471)</u>	<u>(183,356)</u>	<u>511,115</u>
<b>Other Adjustments to Cash (Uses)</b>				
Prior Year Adjustment	15	15	208	193
Transfers To Other Funds	<u>(160,978)</u>	<u>(160,978)</u>	<u>(160,978)</u>	
Total Other Adjustments to Cash (Uses)	<u>(160,963)</u>	<u>(160,963)</u>	<u>(160,770)</u>	<u>193</u>
Net Change in Fund Balance	(655,776)	(855,434)	(344,126)	511,308
Fund Balance - Beginning	<u>655,776</u>	<u>855,434</u>	<u>855,435</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 511,309</u>	<u>\$ 511,309</u>

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,597,832	\$ 1,593,598	\$ 1,604,008	\$ 10,410
Charges for Services	29,140	29,140	30,418	1,278
Miscellaneous	67,890	68,541	71,699	3,158
Interest	16	12	13	1
Total Receipts	<u>1,694,878</u>	<u>1,691,291</u>	<u>1,706,138</u>	<u>14,847</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,730,371	1,743,234	1,624,589	118,645
Capital Projects	294,487	294,487	293,487	1,000
Administration	486,927	465,084	358,985	106,099
Total Disbursements	<u>2,511,785</u>	<u>2,502,805</u>	<u>2,277,061</u>	<u>225,744</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(816,907)</u>	<u>(811,514)</u>	<u>(570,923)</u>	<u>240,591</u>
<b>Other Adjustments to Cash (Uses)</b>				
Prior Year Adjustment	10	10		10
Transfers From Other Funds	649,549	649,549	649,549	
Total Other Adjustments to Cash (Uses)	<u>649,559</u>	<u>649,559</u>	<u>649,549</u>	<u>10</u>
Net Change in Fund Balance	(167,348)	(161,955)	78,626	240,581
Fund Balance - Beginning	<u>167,348</u>	<u>161,955</u>	<u>161,955</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 240,581</u>	<u>\$ 240,581</u>

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 25,000	\$ 27,338	\$ 27,338	\$
Miscellaneous	1,000	1,513	1,640	127
Interest	1	1	1	
Total Receipts	26,001	28,852	28,979	127
<b>DISBURSEMENTS</b>				
General Government	50,816	72,316	64,991	7,325
Administration	31,969	30,623	26,346	4,277
Total Disbursements	82,785	102,939	91,337	11,602
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(56,784)	(74,087)	(62,358)	11,729
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	53,784	73,784	73,784	
Total Other Adjustments to Cash (Uses)	53,784	73,784	73,784	
Net Change in Fund Balance	(3,000)	(303)	11,426	11,729
Fund Balance - Beginning	3,000	303	303	
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,729	\$ 11,729

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

<b>EMERGENCY MANAGEMENT FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 14,500	\$ 14,500	\$ 12,181	\$ (2,319)
Interest	1	1	1	
Total Receipts	<u>14,501</u>	<u>14,501</u>	<u>12,182</u>	<u>(2,319)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	12,765	15,265	12,570	2,695
Administration	14,692	11,402		11,402
Total Disbursements	<u>27,457</u>	<u>26,667</u>	<u>12,570</u>	<u>14,097</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(12,956)</u>	<u>(12,166)</u>	<u>(388)</u>	<u>11,778</u>
Net Change in Fund Balance	(12,956)	(12,166)	(388)	11,778
Fund Balance - Beginning	<u>12,956</u>	<u>12,166</u>	<u>12,166</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,778</u>	<u>\$ 11,778</u>

**WAYNE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2019**  
**(Continued)**

	<b>TIMBERLAND TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 4,800	\$ 4,800	\$ 4,986	\$ 186
Interest	2	2	25	23
Total Receipts	<u>4,802</u>	<u>4,802</u>	<u>5,011</u>	<u>209</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	5,000	5,000	4,185	815
Administration	3,402	3,402		3,402
Total Disbursements	<u>8,402</u>	<u>8,402</u>	<u>4,185</u>	<u>4,217</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,600)</u>	<u>(3,600)</u>	<u>826</u>	<u>4,426</u>
Net Change in Fund Balance	(3,600)	(3,600)	826	4,426
Fund Balance - Beginning	<u>3,600</u>	<u>3,600</u>	<u>3,736</u>	<u>136</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,562</u>	<u>\$ 4,562</u>

**WAYNE COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2019**

**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.

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**WAYNE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

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**WAYNE COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Other Information - Regulatory Basis**

**For The Year Ended June 30, 2019**

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Buildings	\$ 13,935,603	\$ 17,365		\$ 13,952,968
Vehicles	3,202,944	206,233	36,555	3,372,622
Equipment	2,610,908	40,295	9,700	2,641,503
Infrastructure	11,461,605	899,374		12,360,979
 Total Capital Assets	 <u>\$ 31,211,060</u>	 <u>\$ 1,163,267</u>	 <u>\$ 46,255</u>	 <u>\$ 32,328,072</u>

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

**June 30, 2019**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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 FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Mike 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 Auditor's 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, 2019 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 April 2, 2020.

**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 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 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. 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.



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*.

**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,

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

Mike Harmon  
Auditor of Public Accounts

April 2, 2020



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

**WAYNE COUNTY FISCAL COURT**

**For The Year Ended June 30, 2019**

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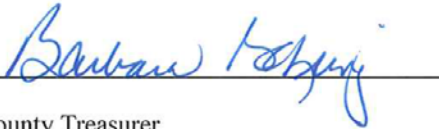
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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