

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

**For The Year Ended
June 30, 2017**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS**

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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 Mike 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, 2017.

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



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To the People of Kentucky
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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, 2017, 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, 2017, 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, 2017, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 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.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, KY

January 5, 2018

WAYNE COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Mike 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
Josephine Gregory	County Clerk
Patricia Lay	Circuit Court Clerk
Tim Catron	Sheriff
Bobby Upchurch	Property Valuation Administrator
Forrest Hicks	Coroner

Appointed Personnel:

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

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 3,701,203	\$	\$	\$
In Lieu Tax Payments	443,795			
Excess Fees	149,922			
Licenses and Permits	34,502			
Intergovernmental	551,904	1,835,775	1,812,053	29,268
Charges for Services	978,977		29,830	
Miscellaneous	207,434	6,124	69,395	1,118
Interest	11,671	7,071	28	
Total Receipts	<u>6,079,408</u>	<u>1,848,970</u>	<u>1,911,306</u>	<u>30,386</u>
DISBURSEMENTS				
General Government	1,375,371			44,864
Protection to Persons and Property	1,537,537		1,558,216	
General Health and Sanitation	427,928			
Social Services	63,037			
Recreation and Culture	132,749			
Transportation Facility and Services		29,590		
Roads		1,589,974		
Airports	50,730			
Debt Service	45,629	19,085	293,487	
Capital Projects				
Administration	1,712,892	174,017	293,023	21,136
Total Disbursements	<u>5,345,873</u>	<u>1,812,666</u>	<u>2,144,726</u>	<u>66,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>733,535</u>	<u>36,304</u>	<u>(233,420)</u>	<u>(35,614)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	12		250,000	41,388
Transfers To Other Funds	(291,888)			
Total Other Adjustments to Cash (Uses)	<u>(291,876)</u>		<u>250,000</u>	<u>41,388</u>
Net Change in Fund Balance	441,659	36,304	16,580	5,774
Fund Balance - Beginning (Restated)	1,803,107	959,200	384,121	7,822
Fund Balance - Ending	<u>\$ 2,244,766</u>	<u>\$ 995,504</u>	<u>\$ 400,701</u>	<u>\$ 13,596</u>
Composition of Fund Balance				
Bank Balance	\$ 2,251,021	\$ 995,863	\$ 403,480	\$ 13,917
Less: Outstanding Checks	(6,255)	(359)	(2,779)	(321)
Fund Balance - Ending	<u>\$ 2,244,766</u>	<u>\$ 995,504</u>	<u>\$ 400,701</u>	<u>\$ 13,596</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, 2017
(Continued)

<u>Budgeted Funds</u>			<u>Unbudgeted Funds</u>		
<u>Homeland Security Fund</u>	<u>Emergency Management Fund</u>	<u>Timberland Tax Fund</u>	<u>Justice Center Bond Fund</u>	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$	\$ 4,947	\$	\$	\$ 3,706,150
					443,795
					149,922
					34,502
	9,855		590,325		4,829,180
				249,745	1,258,552
					284,071
	1	3	21		18,795
	<u>9,856</u>	<u>4,950</u>	<u>590,346</u>	<u>249,745</u>	<u>10,724,967</u>
					1,420,235
	11,448	4,185		217,379	3,328,765
					427,928
					63,037
					132,749
					29,590
					1,589,974
					50,730
			588,325		946,526
			2,000		2,203,068
	<u>11,448</u>	<u>4,185</u>	<u>590,325</u>	<u>217,379</u>	<u>10,192,602</u>
	(1,592)	765	21	32,366	532,365
	500				291,900
(12)					(291,900)
(12)	500				
(12)	(1,092)	765	21	32,366	532,365
12	11,044	2,086	3,074	117,252	3,287,719
<u>\$ 0</u>	<u>\$ 9,952</u>	<u>\$ 2,851</u>	<u>\$ 3,095</u>	<u>\$ 149,618</u>	<u>\$ 3,820,084</u>
\$	\$ 9,952	\$ 2,851	\$ 3,095	\$ 153,710	\$ 3,833,890
				(4,092)	(13,806)
<u>\$ 0</u>	<u>\$ 9,952</u>	<u>\$ 2,851</u>	<u>\$ 3,095</u>	<u>\$ 149,618</u>	<u>\$ 3,820,084</u>

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

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**WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2017

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, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Homeland Security Fund - The primary purpose of this fund is to account for some emergency equipment expenses of the county. The primary sources of receipts for this fund are federal and state grants.

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 percent 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 report or budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail 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, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

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 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.

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. Tax Abatements

GASB Statement No. 77 - Tax Abatement Disclosures is effective for reporting periods beginning after December 15, 2015.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Tax Abatements (Continued)

The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public presently. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

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, 2017, 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 2017.

	General Fund	Homeland Security Fund	Total Transfers In
	<u> </u>	<u> </u>	<u> </u>
General Fund	\$	\$ 12	\$ 12
Jail Fund	250,000		250,000
LGEA Fund	41,388		41,388
Emergency Management Fund	500		500
	<u> </u>	<u> </u>	<u> </u>
Total Transfers Out	<u>\$ 291,888</u>	<u>\$ 12</u>	<u>\$ 291,900</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, 2017
(Continued)

Note 4. Agency Trust Funds

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$1,082.

Note 5. 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 mature 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, 2017, is \$3,695,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 485,000	\$ 100,675
2019	495,000	89,638
2020	510,000	75,800
2021	525,000	60,275
2022	545,000	44,225
2023-2024	<u>1,135,000</u>	<u>36,275</u>
Totals	<u>\$ 3,695,000</u>	<u>\$ 406,888</u>

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, 2017, is \$2,128,109. Future principal and interest service requirements are:

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

B. Detention Center-Series 2015 General Obligation Lease (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 243,326	\$ 50,161
2019	249,486	44,001
2020	255,802	37,685
2021	262,279	31,209
2022	268,918	24,569
2023-2025	<u>848,298</u>	<u>32,165</u>
Totals	<u>\$ 2,128,109</u>	<u>\$ 219,790</u>

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 and the county 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, 2017, is \$1,022,858. Future principal and interest service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 123,597	\$ 31,414
2019	127,321	27,342
2020	131,119	23,147
2021	135,127	18,826
2022	139,168	14,374
2023-2025	<u>366,526</u>	<u>15,571</u>
Totals	<u>\$ 1,022,858</u>	<u>\$ 130,674</u>

The county has also recorded a note receivable due from the City of Monticello for the amount of debt incurred by the county as of June 30, 2017, as follows:

Current Portion	\$ 123,909
Long-Term Portion	<u>898,949</u>
Total	<u>\$ 1,022,858</u>

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

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 principal balance as of June 30, 2017, is \$11,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 11,000	\$ 139
Totals	\$ 11,000	\$ 139

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, 2017, is \$76,913. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 28,215	\$ 2,191
2019	28,963	1,214
2020	19,735	254
Totals	\$ 76,913	\$ 3,659

F. Recycling Center

On December 15, 2015, the Wayne County Fiscal Court entered into a \$206,500 agreement with the 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 on November 15, 2030. The principal balance as of June 30, 2017, is \$186,153. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 12,888	\$ 2,082
2019	13,068	1,932
2020	13,218	1,785
2021	13,374	1,627
2022	13,528	1,472
2023-2027	70,059	4,968
2028-2031	50,018	1,231
Totals	\$ 186,153	\$ 15,097

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Long-term Debt (Continued)

G. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance (*Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 6,540,427	\$	\$ 717,318	\$ 5,823,109	\$ 728,326
Financing Obligations*	1,475,544		178,620	1,296,924	175,700
Total Long-term Debt	\$ 8,015,971	\$ 0	\$ 895,938	\$ 7,120,033	\$ 904,026

The prior year Changes In Long-term Debt note did not included the recycle center debt; therefore, the beginning balance of the financing obligations portion has been increased by \$198,923 to correct the prior year reporting error.

Note 6. 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 2015 was \$565,130, FY 2016 was \$583,430, and FY 2017 was \$692,015.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one 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 five percent of their annual creditable compensation. Nonhazardous members also contribute one 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 four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 6. Employee Retirement System (Continued)

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 18.68 percent.

Health Insurance Coverage

CERS also 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:

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.

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 a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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.

WAYNE COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 7. 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 8. Insurance

For the fiscal year ended June 30, 2017, 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 9. Subsequent Event

The finance officer's bond of \$100,000 expired subsequent to the end of the fiscal year under review. The bond expired on July 17, 2017, and was not renewed until January 1, 2018.

Note 10. Prior Period Adjustment

The beginning balance for the general fund was restated for a prior period voided check of \$119.

Note 11. Litigation

As of June 30, 2017, the fiscal court had a pending appeal of a federal and state lawsuit that was previously dismissed.

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 3,379,700	\$ 3,668,772	\$ 3,701,203	\$ 32,431
In Lieu Tax Payments	321,000	373,140	443,795	70,655
Excess Fees	35,850	149,733	149,922	189
Licenses and Permits	33,745	33,745	34,502	757
Intergovernmental	327,770	413,425	551,904	138,479
Charges for Services	1,001,100	972,630	978,977	6,347
Miscellaneous	111,770	176,969	207,434	30,465
Interest	8,300	8,727	11,671	2,944
Total Receipts	<u>5,219,235</u>	<u>5,797,141</u>	<u>6,079,408</u>	<u>282,267</u>
DISBURSEMENTS				
General Government	1,361,958	1,522,706	1,375,371	147,335
Protection to Persons and Property	1,743,437	1,825,608	1,537,537	288,071
General Health and Sanitation	287,714	566,364	427,928	138,436
Social Services	79,466	79,466	63,037	16,429
Recreation and Culture	129,803	149,803	132,749	17,054
Airports	50,000	53,600	50,730	2,870
Debt Service	45,631	45,631	45,629	2
Administration	2,245,322	2,834,552	1,712,892	1,121,660
Total Disbursements	<u>5,943,331</u>	<u>7,077,730</u>	<u>5,345,873</u>	<u>1,731,857</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(724,096)</u>	<u>(1,280,589)</u>	<u>733,535</u>	<u>2,014,124</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			12	12
Transfers To Other Funds	<u>(519,391)</u>	<u>(522,391)</u>	<u>(291,888)</u>	<u>230,503</u>
Total Other Adjustments to Cash (Uses)	<u>(519,391)</u>	<u>(522,391)</u>	<u>(291,876)</u>	<u>230,515</u>
Net Change in Fund Balance	<u>(1,243,487)</u>	<u>(1,802,980)</u>	<u>441,659</u>	<u>2,244,639</u>
Fund Balance - Beginning (Restated)	<u>1,243,487</u>	<u>1,802,980</u>	<u>1,803,107</u>	<u>127</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,244,766</u>	<u>\$ 2,244,766</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 2,250	\$ 2,250	\$	\$ (2,250)
Intergovernmental	2,068,825	2,121,210	1,835,775	(285,435)
Miscellaneous	3,800	5,537	6,124	587
Interest	7,350	7,438	7,071	(367)
Total Receipts	<u>2,082,225</u>	<u>2,136,435</u>	<u>1,848,970</u>	<u>(287,465)</u>
DISBURSEMENTS				
Transportation Facilities and Services	28,400	35,400	29,590	5,810
Roads	2,271,053	2,368,673	1,589,974	778,699
Debt Service	19,086	19,106	19,085	21
Administration	354,183	672,556	174,017	498,539
Total Disbursements	<u>2,672,722</u>	<u>3,095,735</u>	<u>1,812,666</u>	<u>1,283,069</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(590,497)</u>	<u>(959,300)</u>	<u>36,304</u>	<u>995,604</u>
Net Change in Fund Balance	(590,497)	(959,300)	36,304	995,604
Fund Balance - Beginning	<u>590,497</u>	<u>959,300</u>	<u>959,200</u>	<u>(100)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 995,504</u>	<u>\$ 995,504</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,669,488	\$ 1,548,221	\$ 1,812,053	\$ 263,832
Charges for Services	13,400	26,633	29,830	3,197
Miscellaneous	35,810	64,741	69,395	4,654
Interest	25	25	28	3
Total Receipts	<u>1,718,723</u>	<u>1,639,620</u>	<u>1,911,306</u>	<u>271,686</u>
DISBURSEMENTS				
Protection to Persons and Property	1,556,450	1,677,150	1,558,216	118,934
Debt Service	294,488	294,488	293,487	1,001
Administration	513,444	532,616	293,023	239,593
Total Disbursements	<u>2,364,382</u>	<u>2,504,254</u>	<u>2,144,726</u>	<u>359,528</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(645,659)</u>	<u>(864,634)</u>	<u>(233,420)</u>	<u>631,214</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	480,503	480,503	250,000	(230,503)
Total Other Adjustments to Cash (Uses)	<u>480,503</u>	<u>480,503</u>	<u>250,000</u>	<u>(230,503)</u>
Net Change in Fund Balance	(165,156)	(384,131)	16,580	400,711
Fund Balance - Beginning	<u>165,156</u>	<u>384,131</u>	<u>384,121</u>	<u>(10)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 400,701</u>	<u>\$ 400,701</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 21,150	\$ 29,267	\$ 29,268	\$ 1
Miscellaneous Revenues	1,200	1,200	1,118	(82)
Interest	1	1		(1)
Total Receipts	<u>22,351</u>	<u>30,468</u>	<u>30,386</u>	<u>(82)</u>
DISBURSEMENTS				
General Government	45,837	51,391	44,864	6,527
Administration	25,912	28,297	21,136	7,161
Total Disbursements	<u>71,749</u>	<u>79,688</u>	<u>66,000</u>	<u>13,688</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(49,398)</u>	<u>(49,220)</u>	<u>(35,614)</u>	<u>13,606</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	38,388	41,388	41,388	
Total Other Adjustments to Cash (Uses)	<u>38,388</u>	<u>41,388</u>	<u>41,388</u>	
Net Change in Fund Balance	(11,010)	(7,832)	5,774	13,606
Fund Balance - Beginning	11,010	7,832	7,822	(10)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,596</u>	<u>\$ 13,596</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

HOMELAND SECURITY FUND				
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Total Receipts	\$	\$	\$	\$
DISBURSEMENTS				
Protection to Persons and Property	12	12		12
Total Disbursements	12	12		12
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12)	(12)		12
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(12)	(12)
Total Other Adjustments to Cash (Uses)			(12)	(12)
Net Change in Fund Balance	(12)	(12)	(12)	
Fund Balance - Beginning	12	12	12	
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

EMERGENCY MANAGEMENT FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 7,142	\$ 8,257	\$ 9,855	\$ 1,598
Interest	1	1	1	
Total Receipts	<u>7,143</u>	<u>8,258</u>	<u>9,856</u>	<u>1,598</u>
DISBURSEMENTS				
Protection to Persons and Property	13,985	14,393	11,448	2,945
Administration	358	5,408		5,408
Total Disbursements	<u>14,343</u>	<u>19,801</u>	<u>11,448</u>	<u>8,353</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(7,200)</u>	<u>(11,543)</u>	<u>(1,592)</u>	<u>9,951</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500	500	500	
Total Other Adjustments to Cash (Uses)	<u>500</u>	<u>500</u>	<u>500</u>	
Net Change in Fund Balance	(6,700)	(11,043)	(1,092)	9,951
Fund Balance - Beginning	<u>6,700</u>	<u>11,043</u>	<u>11,044</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,952</u>	<u>\$ 9,952</u>

WAYNE COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

TIMBERLAND TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,800	\$ 4,800	\$ 4,947	\$ 147
Interest	2	2	3	1
Total Receipts	<u>4,802</u>	<u>4,802</u>	<u>4,950</u>	<u>148</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	5,000	5,000	4,185	815
	<u>1,862</u>	<u>1,862</u>		<u>1,862</u>
Total Disbursements	<u>6,862</u>	<u>6,862</u>	<u>4,185</u>	<u>2,677</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,060)</u>	<u>(2,060)</u>	<u>765</u>	<u>2,825</u>
Net Change in Fund Balance	(2,060)	(2,060)	765	2,825
Fund Balance - Beginning	<u>2,060</u>	<u>2,060</u>	<u>2,086</u>	<u>26</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,851</u>	<u>\$ 2,851</u>

WAYNE COUNTY
NOTE TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

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.

WAYNE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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WAYNE COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 936,035	\$	\$	\$ 936,035
Building and Building Improvements	12,726,981			12,726,981
Construction In Progress		76,833		76,833
Vehicles and Equipment*	2,883,667	214,872	27,290	3,071,249
Other Equipment	2,265,510	144,378	41,500	2,368,388
Infrastructure	9,746,647	695,406		10,442,053
 Total Capital Assets	 <u>\$ 28,558,840</u>	 <u>\$ 1,131,489</u>	 <u>\$ 68,790</u>	 <u>\$ 29,621,539</u>

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

June 30, 2017

Note 1. Capital Assets

Capital assets, which include land and buildings, vehicles, equipment, infrastructure assets (roads and bridges), and construction in progress 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 and Buildings	\$ 12,500	10-60
Vehicles	\$ 2,500	4-25
Equipment	\$ 2,500	4-25
Infrastructure	\$ 20,000	10-50
Construction in Process	\$ 2,500	

Note 2. Restatement of Beginning Balance

Vehicles and equipment were restated by decreasing \$3,200 to correct a prior year error.

**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***

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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, 2017, 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 January 5, 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 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,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, KY

January 5, 2018

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

WAYNE COUNTY FISCAL COURT

For The Year Ended June 30, 2017

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

For The Fiscal Year Ended June 30, 2017

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