

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

**For The Fiscal Year Ended  
June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Burley J. Foley, Former Whitley County Judge/Executive

Honorable Pat White, Jr., Whitley County Judge/Executive

Members of the Whitley County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountant, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements.

We engaged Ross & Company, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Whitley County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

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

Crit Luallen

Auditor of Public Accounts

Enclosure





## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE WHITLEY COUNTY FISCAL COURT

**June 30, 2006**

Ross & Company, PLLC has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Whitley County, Kentucky.

#### **Financial Condition:**

The fiscal court had unrestricted net assets of \$118,846 in its governmental funds as of June 30, 2006, with total net assets of \$811,221. The fiscal court had total debt principal as of June 30, 2006 of \$10,561,509 with \$1,132,815 due within the next year. Total cash and cash equivalents for the business-type activities were \$25,981 with total net assets of \$50,063.

#### **Report Comments:**

- 2006-01 The Fiscal Court Should Improve Purchase and Procurement Procedures
- 2006-02 The Fiscal Court Should Require the Jailer to Submit An Annual Financial Report To The County Treasurer
- 2006-03 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary
- 2006-04 The Fiscal Court Should Strengthen Controls Over Employee Timesheets
- 2006-05 The Fiscal Court Should Pay The County Judge/Executive In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)
- 2006-06 The Fiscal Court Should Pay The County Jailer In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)
- 2006-07 The Fiscal Court Should Follow Their Personnel Policy In Regards To Compensation Time
- 2006-08 The Fiscal Court Should Pay All Bank Notes By The End Of The Fiscal Year

#### **Deposits:**

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



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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Burley J. Foley, Former Whitley County Judge/Executive  
Honorable Pat White, Jr., Whitley County Judge/Executive  
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Whitley County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Whitley County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Burley J. Foley, Former Whitley County Judge/Executive

Honorable Pat White, Jr., Whitley County Judge/Executive

Members of the Whitley County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitley County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2007 on our consideration of Whitley County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discuss the following report comments:

- 2006-01 The Fiscal Court Should Improve Purchase and Procurement Procedures
- 2006-02 The Fiscal Court Should Require the Jailer to Submit An Annual Financial Report To The County Treasurer
- 2006-03 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary
- 2006-04 The Fiscal Court Should Strengthen Controls Over Employee Timesheets
- 2006-05 The Fiscal Court Should Pay The County Judge/Executive In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)
- 2006-06 The Fiscal Court Should Pay The County Jailer In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)
- 2006-07 The Fiscal Court Should Follow Their Personnel Policy In Regards To Compensation Time
- 2006-08 The Fiscal Court Should Pay All Bank Notes By The End Of The Fiscal Year

Respectfully submitted,



Ross & Company, PLLC  
Certified Public Accounts

December 5, 2007

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2006

**Fiscal Court Members:**

Mike Patrick, resigned December 31, 2005	County Judge/Executive
Burley J. Foley, appointed January 1, 2006	County Judge/Executive
Nolan Bird	Magistrate
David Myers	Magistrate
Johnny Lawson	Magistrate
Wayne Wilson	Magistrate

**Other Elected Officials:**

Paul Winchester, Jr.	County Attorney
Jerry Taylor, resigned September 30, 2005	Jailer
Ken Mobley, appointed October 5, 2005	Jailer
Tom Rains	County Clerk
Gary Barton	Circuit Court Clerk
Lawrence Hodge	Sheriff
Ronnie Moses	Property Valuation Administrator
Andy J. Croley	Coroner

**Appointed Personnel:**

Jeffrey L. Gray	County Treasurer
Phil Brennennstuhl	Occupational Tax Administrator
Judy Brimm	Finance Officer

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

**June 30, 2006**



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

**June 30, 2006**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 986,596	\$ 25,981	\$ 1,012,577
Investments	517,000		517,000
Total Current Assets	<u>1,503,596</u>	<u>25,981</u>	<u>1,529,577</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	710,390		710,390
Buildings	6,033,258		6,033,258
Equipment	755,298	24,082	779,380
Vehicles	270,268		270,268
Infrastructure Assets - Net of Depreciation	<u>2,099,920</u>		<u>2,099,920</u>
Total Noncurrent Assets	<u>9,869,134</u>	<u>24,082</u>	<u>9,893,216</u>
Total Assets	<u>11,372,730</u>	<u>50,063</u>	<u>11,422,793</u>
<b>LIABILITIES</b>			
Current Liabilities:			
General Obligation Bonds	130,000		130,000
Bank Notes Payable	221,916		221,916
Financing Obligations	780,899		780,899
Total Current Liabilities	<u>1,132,815</u>		<u>1,132,815</u>
Noncurrent Liabilities:			
General Obligation Bonds	7,430,000		7,430,000
Bank Notes Payable	242,894		242,894
Financing Obligations	1,755,800		1,755,800
Total Noncurrent Liabilities	<u>9,428,694</u>		<u>9,428,694</u>
Total Liabilities	<u>10,561,509</u>		<u>10,561,509</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt			
	227,565	24,082	251,647
Restricted For:			
Debt Service	464,810		464,810
Unrestricted	118,846	25,981	144,827
Total Net Assets	<u>\$ 811,221</u>	<u>\$ 50,063</u>	<u>\$ 861,284</u>

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

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**WHITLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**

**WHITLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**June 30, 2006**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,503,091	\$ 2,976	\$ 345,745	\$ 33,000
Protection to Persons and Property	2,875,897	1,608,711	232,042	83,012
General Health and Sanitation	1,181,133			
Social Services	42,055			
Recreation and Culture	42,995			
Roads	1,022,352		1,865,398	50,000
Debt Service	467,053			
Capital Projects	209,354			2,200,130
Total Governmental Activities	<u>8,343,930</u>	<u>1,611,687</u>	<u>2,443,185</u>	<u>2,366,142</u>
Business-type Activities:				
Jail Canteen	29,982	62,890		
Total Business-type Activities	<u>29,982</u>	<u>62,890</u>		
Total Primary Government	<u>\$ 8,373,912</u>	<u>\$ 1,674,577</u>	<u>\$ 2,443,185</u>	<u>\$ 2,366,142</u>

**General Revenues:**

## Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Other Taxes

In Lieu Tax Payments

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

**WHITLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (2,121,370)	\$	\$ (2,121,370)
(952,132)		(952,132)
(1,181,133)		(1,181,133)
(42,055)		(42,055)
(42,995)		(42,995)
893,046		893,046
(467,053)		(467,053)
1,990,776		1,990,776
(1,922,916)		(1,922,916)
	32,908	32,908
	32,908	32,908
(1,922,916)	32,908	(1,890,008)
616,942		616,942
91,162		91,162
154,183		154,183
2,853,765		2,853,765
121,025		121,025
132,673		132,673
168,140		168,140
40,152		40,152
4,178,042		4,178,042
2,255,126	32,908	2,288,034
(1,443,905)	17,155	(1,426,750)
\$ 811,221	\$ 50,063	\$ 861,284

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

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

**June 30, 2006**

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

**June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Federal Grant Fund</b>	<b>Ambulance Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 108,494	\$ 176,332	\$ 112,083	\$ 158	\$ 102,757
Investments					
<b>Total Assets</b>	<b>\$ 108,494</b>	<b>\$ 176,332</b>	<b>\$ 112,083</b>	<b>\$ 158</b>	<b>\$ 102,757</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Bank Note Payable	\$	\$	\$ 464,810	\$	\$
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 464,810</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 1,448	\$	\$ 10,216	\$	\$ 159
Unreserved:					
General Fund	107,046				
Special Revenue Funds		176,332	(362,943)	158	102,598
Capital Projects Fund					
Debt Service Fund					
<b>Total Fund Balances</b>	<b>108,494</b>	<b>176,332</b>	<b>(352,727)</b>	<b>158</b>	<b>102,757</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 108,494</b>	<b>\$ 176,332</b>	<b>\$ 112,083</b>	<b>\$ 158</b>	<b>\$ 102,757</b>

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

**WHITLEY COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>Occupational Tax Fund</b>	<b>Dentention Facility Bond Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 265,572	\$ 30,189	\$ 191,011	\$ 986,596
	517,000		517,000
<u>\$ 265,572</u>	<u>\$ 547,189</u>	<u>\$ 191,011</u>	<u>\$ 1,503,596</u>
\$	\$	\$	\$ 464,810
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 464,810</u>
\$	\$	\$	\$ 11,823
265,572		190,511	107,046
		500	372,228
	547,189		500
<u>265,572</u>	<u>547,189</u>	<u>191,011</u>	<u>547,189</u>
<u>265,572</u>	<u>547,189</u>	<u>191,011</u>	<u>1,038,786</u>
<u>\$ 265,572</u>	<u>\$ 547,189</u>	<u>\$ 191,011</u>	<u>\$ 1,503,596</u>

**Reconciliation to Statement of Net Assets:**

Total Fund Balances	\$ 1,038,786
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	12,686,045
Accumulated Depreciation	(2,816,911)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,536,699)
Bonded Debt	<u>(7,560,000)</u>
Net Assets Of Governmental Activities	<u>\$ 811,221</u>

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

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

**For The Year Ended June 30, 2006**

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

**For The Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Federal Grant Fund</b>
<b>REVENUES</b>				
Taxes	\$ 1,116,346	\$	\$	\$
In Lieu Tax Payments	76,198	44,827		
Excess Fees	132,673			
Licenses and Permits	2,976			
Intergovernmental	577,025	2,108,356	688,145	1,151,053
Charges for Services			54,958	
Miscellaneous	104,340	8,810	44,956	
Interest	1,139	1,882	3,311	
Total Revenues	<u>2,010,697</u>	<u>2,163,875</u>	<u>791,370</u>	<u>1,151,053</u>
<b>EXPENDITURES</b>				
General Government	983,103	14,400		
Protection to Persons and Property	100,562		1,324,362	
General Health and Sanitation	22,080			1,151,053
Social Services	2,055			
Recreation and Culture				
Roads		1,502,222		
Debt Service	275,528	318,432	43,863	
Capital Projects	208,704			
Administration	377,094	212,293	218,400	
Total Expenditures	<u>1,969,126</u>	<u>2,047,347</u>	<u>1,586,625</u>	<u>1,151,053</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>41,571</u>	<u>116,528</u>	<u>(795,255)</u>	
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds	1,445,595	410,500	1,547,238	
Transfers To Other Funds	<u>(1,420,248)</u>	<u>(413,000)</u>	<u>(628,940)</u>	
Total Other Financing Sources (Uses)	<u>25,347</u>	<u>(2,500)</u>	<u>918,298</u>	
Net Change in Fund Balances	66,918	114,028	123,043	
Fund Balances - Beginning (Restated)	41,576	62,304	(475,770)	158
Fund Balances - Ending	<u>\$ 108,494</u>	<u>\$ 176,332</u>	<u>\$ (352,727)</u>	<u>\$ 158</u>

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

**WHITLEY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<u>Ambulance Fund</u>	<u>Occupational Tax Fund</u>	<u>Dentention Facility Bond Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 2,340,565	\$	\$ 258,791	\$ 3,715,702
				121,025
				132,673
				2,976
10,017			829,554	5,364,150
999,279				1,054,237
10,035				168,141
187	5,604	27,505	524	40,152
<u>1,019,518</u>	<u>2,346,169</u>	<u>27,505</u>	<u>1,088,869</u>	<u>10,599,056</u>
	85,198		351,274	1,433,975
781,647			22,379	2,228,950
			8,000	1,181,133
			40,000	42,055
			42,995	42,995
				1,502,222
16,777		517,489	67,498	1,239,587
			650	209,354
262,016	818,404	1,000	58,001	1,947,208
<u>1,060,440</u>	<u>903,602</u>	<u>518,489</u>	<u>590,797</u>	<u>9,827,479</u>
<u>(40,922)</u>	<u>1,442,567</u>	<u>(490,984)</u>	<u>498,072</u>	<u>771,577</u>
97,725	34,100	490,940	67,800	4,093,898
	(1,211,095)		(420,615)	(4,093,898)
<u>97,725</u>	<u>(1,176,995)</u>	<u>490,940</u>	<u>(352,815)</u>	
56,803	265,572	(44)	145,257	771,577
45,954		547,233	45,754	267,209
<u>\$ 102,757</u>	<u>\$ 265,572</u>	<u>\$ 547,189</u>	<u>\$ 191,011</u>	<u>\$ 1,038,786</u>

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

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**WHITLEY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**WHITLEY COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 771,577
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	1,279,676
Depreciation Expense	(568,661)
<p>Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.</p>	
Financing Obligations Principal Payments	647,534
Bond Principal Payments	<u>125,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 2,255,126</u></u>

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

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**WHITLEY COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**



**WHITLEY COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 25,981
Total Current Assets	25,981
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	26,319
Less Accumulated Depreciation	(2,237)
Total Noncurrent Assets	24,082
Total Assets	50,063
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	24,082
Unrestricted	25,981
Total Net Assets	\$ 50,063

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

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

**For The Year Ended June 30, 2006**



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

**For The Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 62,890
Total Operating Revenues	62,890
<b>Operating Expenses</b>	
Inventory	19,192
Educational and Recreational	1,211
Equipment	7,000
Depreciation	2,237
Miscellaneous	342
Total Operating Expenses	29,982
Operating Income	32,908
Change In Net Assets	32,908
Total Net Assets - Beginning	17,155
Total Net Assets - Ending	\$ 50,063

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

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**WHITLEY COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**



**WHITLEY COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts from Customers	\$ 62,890
Inventory	(19,192)
Educational and Recreational	(1,211)
Equipment	(7,000)
Miscellaneous	(342)
Net Cash Provided By Operating Activities	35,145
<b>Cash Flows From Noncapital Financing Activities</b>	
Purchase of Capital Assets	(26,319)
Net Cash Used By Noncapital Financing Activities	(26,319)
Net Increase (Decrease) in Cash and Cash Equivalents	
	8,826
Cash and Cash Equivalents - July 1, 2005	17,155
Cash and Cash Equivalents - June 30, 2006	\$ 25,981
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 32,908
Plus: Depreciation Expense	2,237
Net Cash Provided By Operating Activities	\$ 35,145

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

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

**June 30, 2006**



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

**June 30, 2006**

	<u>Agency Fund</u>	<u>Jail Inmate Fund</u>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 16,654	
Total Assets	<u>\$ 16,654</u>	
<b>Liabilities</b>		
Amounts Held In Custody For Others	\$ 16,654	
Total Liabilities	<u>\$ 16,654</u>	

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

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

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Whitley County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Whitley County Public Properties Corporation

The Whitley County Fiscal Court (Fiscal Court) established the Whitley County Public Properties Corporation (Corporation) for the purpose of financing courthouse renovations and road projects. The Corporation's governing body consists entirely of the Fiscal Court members. Therefore, management must include the Corporation as part of the reporting entity, and the Corporation's financial activity is blended with that of the Fiscal Court.

**C. Whitley County Elected Officials**

Kentucky law provides for election of the below officials from the geographic area constituting Whitley County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Whitley County, Kentucky.

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

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

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

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

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

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

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

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

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

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund – The primary purpose of this fund is to provide emergency medical service for the county. The primary sources of revenue for this fund are federal, state, and private insurance billings.

Federal Grant Fund – The purpose of this fund is to manage federal funds for various award programs.

Occupational Tax Fund – The purpose of this fund is to account for the collection of occupational tax imposed under provisions of KRS 68.197.

Detention Facility Bond Fund – The Detention Facility Bond Fund is used to account for the activity of the Whitley County Public Properties Corporation, a blended component unit of the County. This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest issued by the Corporation for the purpose of courthouse renovations and road projects. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forestry Fund, Tourism Room Tax Fund, 911 Fund, and the 92 E Water Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, Federal Grant Fund, Occupational Tax Fund, Forestry Fund, Tourism Room Tax Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The 92 E Water Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Fund:**

The Detention Facility Bond Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

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

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund, the Jail Inmate Fund, is used to account for inmate monies held by the Jailer for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**E. Deposits and Investments**

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 15,000	10-75
Building Improvements	\$ 15,000	10-60
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-12
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Whitley County Public Properties Corporation Fund (blended component unit) and the Detention Facility Bond Fund are not budgeted by the county treasurer. The Governor’s Office for Local Development does not require the fiscal court to report or budget these funds.

**J. Related Organizations 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 organization’s governing board. Based on these criteria, the following are considered related organizations of Whitley County Fiscal Court: Whitley County Water District and Cumberland Falls Water Highway District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Whitley County Fiscal Court:

- The Williamsburg/Whitley County Airport Board (with the City of Williamsburg)

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The county does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2006, Whitley County's investments were as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Cost</u>	<u>Market Value</u>	<u>Rating</u>	<u>Concentration</u>
Primary Government					
Federal National					
Mortgage Association	<u>10/8/2027</u>	<u>\$ 517,000</u>	<u>\$ 157,109</u>	<u>AAA</u>	<u>1.000</u>

The County does not have a formal policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

Credit Risk

KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States Government; or its agencies and obligations of any corporation of the United States Government; certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity; uncollateralized certificates of deposit issued by a bank or savings and loan institutions rated in one of the three highest categories by a nationally recognized rating agency; bankers' acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in the highest category by a nationally recognized rating agency; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; and securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically named investments as allowed by KRS 66.480 of which FNMA is not one. The County had no investment policy that would further limit its investment choices. In general, non-negotiable certificates of deposit are not subject to investment credit risk.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the county will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2006, the County's investments were insured or registered, or the securities were held by the County or by the County's agent in the County's name.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 317,125	\$	\$	\$ 317,125
Total Capital Assets Not Being Depreciated	317,125			317,125
Capital Assets, Being Depreciated:				
Buildings	7,314,343	45,501		7,359,844
Land Improvements	416,889			416,889
Equipment	825,996	245,630		1,071,626
Vehicles	669,574	27,500		697,074
Infrastructure	1,862,442	961,045		2,823,487
Total Capital Assets Being Depreciated	11,089,244	1,279,676		12,368,920
Less Accumulated Depreciation For:				
Buildings	(1,157,360)	(169,226)		(1,326,586)
Land Improvements	(11,812)	(11,812)		(23,624)
Equipment	(251,796)	(64,532)		(316,328)
Vehicles	(368,903)	(57,903)		(426,806)
Infrastructure	(458,379)	(265,188)		(723,567)
Total Accumulated Depreciation	(2,248,250)	(568,661)		(2,816,911)
Total Capital Assets, Being Depreciated, Net	8,840,994	711,015		9,552,009
Governmental Activities Capital Assets, Net	<u>\$ 9,158,119</u>	<u>\$ 711,015</u>	<u>\$ 0</u>	<u>\$ 9,869,134</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Equipment	\$	\$ 26,319	\$	\$ 26,319
Total Capital Assets Being Depreciated		26,319		26,319
Less Accumulated Depreciation For:				
Equipment		(2,237)		(2,237)
Total Accumulated Depreciation		(2,237)		(2,237)
Total Capital Assets, Being Depreciated, Net		24,082		24,082
Business-Type Activities Capital Assets, Net	<u>\$ 0</u>	<u>\$ 24,082</u>	<u>\$ 0</u>	<u>\$ 24,082</u>

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

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

<u>Governmental Activities:</u>	
General Government	\$ 89,498
Protection to Persons and Property	182,781
Roads, Including Depreciation of General Infrastructure Assets	<u>296,382</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 568,661</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 2,237</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,237</u>

**Note 4. Long-Term Debt**

A. Road Paving Projects

On October 24, 2001, Whitley County entered into a \$495,000 financing obligation agreement with the Kentucky Association of Counties Leasing Trust Program for road paving projects. The agreement requires variable monthly payments for 60 months to be paid in full January 20, 2006. The lease was completely paid in full during the fiscal year.

B. General Obligation Bonds, Series 2002

Bonds outstanding of the Whitley County Detention Facility Bond Fund are \$7,685,000 of General Obligation Bonds issued on April 1, 2002, with interest rates of 5.0% through 5.20% payable semiannually October 1 and April 1. These bonds were issued for the purpose of financing the acquisition, construction, and equipping of a new detention center facility. The total issue of the bonds is \$7,800,000 with principal paid annually on April 1. Future principal and interest payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 130,000	\$ 386,239
2008	135,000	379,739
2009	140,000	372,989
2010	150,000	365,989
2011	155,000	358,489
2012-2016	910,000	1,666,945
2017-2021	1,160,000	1,415,912
2022-2026	1,480,000	1,091,230
2027-2031	1,905,000	669,501
2032-2034	<u>1,395,000</u>	<u>147,680</u>
Totals	<u>\$ 7,560,000</u>	<u>\$ 6,854,713</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

C. Airport Land

On April 18, 2002, Whitley County entered into a \$765,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the acquisition of land for a new airport facility. Terms of the agreement stipulate a ten-year repayment schedule, with variable semi-annual interest payments and variable annual principal payments. Interest on the financing obligation is payable on November 20 and May 20, while principal payments are due only on May 20 annually. The principal balance was \$500,000 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 75,000	\$ 23,058
2008	75,000	19,870
2009	80,000	16,570
2010	85,000	12,970
2011	90,000	8,975
2012	95,000	4,655
Totals	<u>\$ 500,000</u>	<u>\$ 86,098</u>

D. Voting Machines

On July 25, 2002, Whitley County entered into a \$172,300 financing obligation agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of voting machines. The agreement requires variable monthly payments for 89 months to be paid in full January 20, 2010. The principal balance of the agreement was \$92,700 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 21,900	\$ 3,592
2008	22,700	2,636
2009	23,600	1,645
2010	24,500	614
Totals	<u>\$ 92,700</u>	<u>\$ 8,487</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

E. General Obligations

On June 4, 2003, Whitley County entered into a \$440,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust. The financing obligation proceeds were used to pay an outstanding bank loan, fund various county projects and to reimburse the county for repairs and expenses. The agreement requires variable semi-annual payments for 54 months to be paid in full May 1, 2008. The principal balance of the agreement was \$185,000 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 90,000	\$ 10,773
2008	95,000	5,678
Totals	<u>\$ 185,000</u>	<u>\$ 16,451</u>

F. Road Improvements

On June 4, 2003, Whitley County entered into a \$310,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the purpose of road improvements. The agreement requires variable semi-annual payments for 54 months to be paid in full April 20, 2008. The principal balance of the agreement was \$135,000 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 65,000	\$ 7,998
2008	70,000	4,315
Totals	<u>\$ 135,000</u>	<u>\$ 12,313</u>

G. Court Facilities Project

On July 3, 2003, Whitley County entered into a \$605,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the court facilities project. A portion of the financing obligation proceeds was used to retire a \$245,000 financing obligation dated May 1, 2003. The remaining proceeds were to be used to renovate a building for use as court facilities; however, the project was subsequently determined not to be a viable project. On January 20, 2004, \$170,000 and \$160,000 of the financing obligation proceeds were transferred to the General Fund and Jail Fund, respectively, and used for county operations. The agreement requires variable semi-annual payments to be paid in full May 20, 2023. The principal balance of the agreement was \$545,000 as of June 30, 2006. Financing obligation payments for the remaining years are:

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

G. Court Facilities Project (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 25,000	\$ 22,800
2008	25,000	22,200
2009	25,000	21,300
2010	25,000	20,400
2011	25,000	19,500
2012-2016	150,000	81,200
2017-2021	185,000	46,791
2022-2023	85,000	6,176
Totals	<u>\$ 545,000</u>	<u>\$ 240,367</u>

H. Ambulance

On October 23, 2003, Whitley County entered into a \$48,000 financing obligation agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of an ambulance. The agreement requires variable monthly payments for 36 months to be paid in full November 20, 2006. The principal balance of the agreement was \$6,935 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	<u>\$ 6,935</u>	<u>\$ 56</u>

I. Sheriff's Vehicles

On March 23, 2004, Whitley County entered into a \$180,800 financing obligation agreement with the Kentucky Association of Counties Leasing Trust Program for eight (8) new sheriff police cars with new equipment for each unit. The agreement requires variable monthly payments for 36 months to be paid in full on November 20, 2006. The principal balance of the agreement was \$62,064 as of June 30, 2006. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	<u>\$ 62,064</u>	<u>\$ 1,333</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

J. Refunding of 1995 Bonds and 1997 Certificates

On April 2, 2004, Whitley County entered into a \$1,405,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust to refund \$1,130,000 of outstanding Public Project Refunding Revenue Bonds, Series 1995, issued for the purpose of courthouse renovations and certain road projects, and \$255,000 of Public Project Revenue Certificates of Participation, Series 1997, issued for road construction and repair. On November 1, 2004, \$1,095,667 of the proceeds plus an additional \$330,115 of 1995 Series debt service reserve monies were used to pay all future debt service payments on the 1995 Series and the 1997 Series. As a result, the 1995 Series and the 1997 Series were considered defeased as of June 30, 2004.

The financing obligation agreement dated April 2, 2004, for \$1,215,000, requires variable semi-annual payments for 5 years to be paid in full April 20, 2009. The principal balance of the agreement was \$1,010,000 as of June 30, 2006. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 435,000	\$ 27,913
2008	285,000	17,037
2009	290,000	9,200
Totals	<u>\$ 1,010,000</u>	<u>\$ 54,150</u>

K. Bank Note Payable

On June 30, 2006, Whitley County Fiscal Court refinanced a bank note of \$673,000 previously dated April 26, 2005. The original purpose of the bank note was to cover operating expense of the General Fund and Jail Fund. Maturity date on the note is June 30, 2008, with semiannual payments due beginning December 20, 2005. The bank note is a variable rate loan, with the rate ranging from no less than 6.00% or higher than 18.00%. The principal balance of the bank note was \$464,810 as of June 30, 2006.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 221,916	\$ 38,542
2008	242,894	Variable
Totals	<u>\$ 464,810</u>	<u>Variable</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

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

L. Changes In Long Term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,685,000	\$	\$ 125,000	\$ 7,560,000	\$ 130,000
Bank Notes Payable	673,000		208,190	464,810	221,916
Financing Obligations	3,184,233		647,534	2,536,699	780,899
Governmental Activities					
Long-term Liabilities	<u>\$11,542,233</u>	<u>\$ 0</u>	<u>\$ 980,724</u>	<u>\$10,561,509</u>	<u>\$1,132,815</u>

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

Debt Service on the Statement of Activities includes \$467,053 in interest on long-term bonds and financing obligations.

**Note 6. Related Party Transactions**

During the year ended June 30, 2006, Whitley County Fiscal Court paid JLG Identification Solutions, Inc., \$1,283 for employee identification cards and uniforms for ambulance, 911, and jail employees, as well as jail inmates. The Whitley County Treasurer is a co-owner in this business. Because of the nature of the relationship between the business and the employee, the transactions are considered related party transactions.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 8. Deferred Compensation**

The Whitley County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary. Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road Suite #1, Frankfort, KY 40601-8862.

**Note 9. Insurance**

For the fiscal year ended June 30, 2006, Whitley County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustments**

The beginning fund balance of the Public Properties Corporation Fund was restated \$19 due to correction of an error in the prior year.

There was an adverse opinion issued in the prior year report on the Jail Canteen Fund and Business-Type Activities as a result of the financial statements for the Jail Canteen Fund not being included in the report. The audited beginning fund balance of the Jail Canteen Fund was \$17,155.

The beginning fund balance of the General Fund was restated by \$461,820 for the debt that should have been charged to the Jail Fund. Additionally, the Jail Fund was also restated by \$461,820.

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**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**

**For The Year Ended June 30, 2006**



**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**

**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,055,685	\$ 1,109,552	\$ 1,116,346	\$ 6,794
In Lieu Tax Payments	68,000	24,852	76,198	51,346
Excess Fees	113,850	139,722	132,673	(7,049)
Licenses and Permits	500	500	2,976	2,476
Intergovernmental Revenue	1,141,489	822,020	577,025	(244,995)
Miscellaneous	30,550	103,483	104,340	857
Interest	1,000	1,000	1,139	139
Total Revenues	<u>2,411,074</u>	<u>2,201,129</u>	<u>2,010,697</u>	<u>(190,432)</u>
<b>EXPENDITURES</b>				
General Government	833,587	1,079,080	983,103	95,977
Protection to Persons and Property	68,527	110,369	100,562	9,807
General Health and Sanitation	694,845	102,824	22,080	80,744
Social Services	3,500	3,500	2,055	1,445
Debt Service	333,710	333,710	333,708	2
Capital Projects	298,484	298,484	208,704	89,780
Administration	822,111	440,982	377,094	63,888
Total Expenditures	<u>3,054,764</u>	<u>2,368,949</u>	<u>2,027,306</u>	<u>341,643</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(643,690)</u>	<u>(167,820)</u>	<u>(16,609)</u>	<u>151,211</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,697,310	1,485,595	1,445,595	(40,000)
Transfers To Other Funds	<u>(1,053,720)</u>	<u>(1,417,249)</u>	<u>(1,420,248)</u>	<u>(2,999)</u>
Total Other Financing Sources (Uses)	<u>643,590</u>	<u>68,346</u>	<u>25,347</u>	<u>(42,999)</u>
Net Changes in Fund Balance	(100)	(99,474)	8,738	108,212
Fund Balance - Beginning	<u>100</u>	<u>99,474</u>	<u>41,576</u>	<u>(57,898)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,314</u>	<u>\$ 50,314</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006 (Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 8,700	\$ 44,827	\$ 44,827	\$ -
Intergovernmental Revenue	2,121,944	2,223,453	2,108,356	(115,097)
Miscellaneous	600	8,909	8,810	(99)
Interest	800	975	1,882	907
Total Revenues	<u>2,132,044</u>	<u>2,278,164</u>	<u>2,163,875</u>	<u>(114,289)</u>
<b>EXPENDITURES</b>				
General Government	14,400	14,400	14,400	
Roads	1,608,309	1,774,909	1,502,222	272,687
Debt Service	318,435	318,435	318,432	3
Administration	191,000	230,224	212,293	17,931
Total Expenditures	<u>2,132,144</u>	<u>2,337,968</u>	<u>2,047,347</u>	<u>290,621</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(100)</u>	<u>(59,804)</u>	<u>116,528</u>	<u>176,332</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds		410,500	410,500	
Transfers To Other Funds		(413,000)	(413,000)	
Total Other Financing Sources (Uses)		<u>(2,500)</u>	<u>(2,500)</u>	
Net Changes in Fund Balance	(100)	(62,304)	114,028	176,332
Fund Balance - Beginning	<u>100</u>	<u>62,304</u>	<u>62,304</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 176,332</u>	<u>\$ 176,332</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006 (Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,128,085	\$ 682,289	\$ 688,145	\$ 5,856
Charges for Services	60,100	60,100	54,958	(5,142)
Miscellaneous	1,300	40,404	44,956	4,552
Interest	100	2,353	3,311	958
Total Revenues	<u>1,189,585</u>	<u>785,146</u>	<u>791,370</u>	<u>6,224</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,258,025	1,396,093	1,324,362	71,731
Debt Service	875,345	711,884	684,813	27,071
Administration	305,175	225,457	218,400	7,057
Total Expenditures	<u>2,438,545</u>	<u>2,333,434</u>	<u>2,227,575</u>	<u>105,859</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,248,960)</u>	<u>(1,548,288)</u>	<u>(1,436,205)</u>	<u>112,083</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,247,960	1,547,239	1,547,238	(1)
Transfers To Other Funds		(138,000)	(138,000)	
Total Other Financing Sources (Uses)	<u>1,247,960</u>	<u>1,409,239</u>	<u>1,409,238</u>	<u>(1)</u>
Net Changes in Fund Balance	(1,000)	(139,049)	(26,967)	112,082
Fund Balance - Beginning	<u>1,000</u>	<u>139,049</u>	<u>(475,770)</u>	<u>(614,819)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (502,737)</u>	<u>\$ (502,737)</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006 (Continued)**

	<b>FEDERAL GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,857,628	\$ 1,857,628	\$ 1,151,053	\$ (706,575)
Total Revenues	<u>1,857,628</u>	<u>1,857,628</u>	<u>1,151,053</u>	<u>(706,575)</u>
<b>EXPENDITURES</b>				
General Health and Sanitation	1,857,663	1,857,663	1,151,053	706,610
Administration	123	123		123
Total Expenditures	<u>1,857,786</u>	<u>1,857,786</u>	<u>1,151,053</u>	<u>706,733</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(158)</u>	<u>(158)</u>		<u>158</u>
Net Changes in Fund Balances	(158)	(158)		158
Fund Balances - Beginning	<u>158</u>	<u>158</u>	<u>158</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 158</u>	<u>\$ 158</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006 (Continued)**

	<b>AMBULANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 0	\$ 10,016	\$ 10,017	\$ 1
Charges for Services	976,600	976,600	999,279	22,679
Miscellaneous	4,680	10,034	10,035	1
Interest	200	200	187	(13)
Total Revenues	<u>981,480</u>	<u>996,850</u>	<u>1,019,518</u>	<u>22,668</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	827,965	815,874	781,647	34,227
Debt Service	16,780	16,780	16,777	3
Administration	265,300	267,875	262,016	5,859
Total Expenditures	<u>1,110,045</u>	<u>1,100,529</u>	<u>1,060,440</u>	<u>40,089</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(128,565)</u>	<u>(103,679)</u>	<u>(40,922)</u>	<u>62,757</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	117,875	97,725	97,725	
Transfers To Other Funds		(40,000)		40,000
Total Other Financing Sources (Uses)	<u>117,875</u>	<u>57,725</u>	<u>97,725</u>	<u>40,000</u>
Net Changes in Fund Balances	(10,690)	(45,954)	56,803	102,757
Fund Balances - Beginning	<u>10,690</u>	<u>45,954</u>	<u>45,954</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,757</u>	<u>\$ 102,757</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplemental Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006 (Continued)**

	<b>OCCUPATIONAL TAX FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,977,388	\$ 2,277,442	\$ 2,340,565	\$ 63,123
Interest	200	2,266	5,604	3,338
Total Revenues	<u>2,977,588</u>	<u>2,279,708</u>	<u>2,346,169</u>	<u>66,461</u>
<b>EXPENDITURES</b>				
General Government	111,080	91,029	85,198	5,831
Administration	1,169,198	1,011,684	818,404	193,280
Total Expenditures	<u>1,280,278</u>	<u>1,102,713</u>	<u>903,602</u>	<u>199,111</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,697,310</u>	<u>1,176,995</u>	<u>1,442,567</u>	<u>265,572</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds		34,100	34,100	
Transfers To Other Funds	<u>(1,697,310)</u>	<u>(1,211,095)</u>	<u>(1,211,095)</u>	
Total Other Financing Sources (Uses)	<u>(1,697,310)</u>	<u>(1,176,995)</u>	<u>(1,176,995)</u>	
Net Changes in Fund Balances			265,572	265,572
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 265,572</u>	<u>\$ 265,572</u>

**WHITLEY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund and the Detention Facility Bond Fund.

The State Local Finance Officer does not require the Public Properties Corporation Fund and the Detention Facility Bond Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation to the Statement of Revenues, Expenditures, And Changes In Fund Balance:**

**Reconciliation of General Fund**

Expenditures - Budgetary Basis	\$ 2,027,306
Less: Debt Service - Bank Note Payable	<u>(58,180)</u>
Expenditures - Modified Cash Basis	<u>\$ 1,969,126</u>
Fund Balance - Budgetary Basis	\$ 50,314
Plus: Debt Service Expenditures Removed	<u>58,180</u>
Fund Balance - Modified Cash Basis	<u>\$ 108,494</u>

**Reconciliation of Jail Fund**

Expenditures - Budgetary Basis	\$ 2,227,575
Less: Transfers Out to Public Properties Corporation	(490,940)
Less: Debt Service - Bank Note Payable	<u>(150,010)</u>
Expenditures - Modified Cash Basis	<u>\$ 1,586,625</u>
Other Financing Sources (Uses) - Budgetary Basis	\$ 1,409,238
Less: Transfers Out to Public Properties Corporation	<u>(490,940)</u>
Modified Cash Basis	<u>\$ 918,298</u>
Fund Balance - Budgetary Basis	\$ (502,737)
Plus: Debt Service Expenditures Removed	<u>150,010</u>
Fund Balance - Modified Cash Basis	<u>\$ (352,727)</u>

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**WHITLEY COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplemental Information**

**June 30, 2006**

**WHITLEY COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**June 30, 2006**

	<b>Local Government Economic Assistance Fund</b>	<b>Forestry Fund</b>	<b>Tourist Room Tax Fund</b>	<b>911 Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 146,516	\$ 4,363	\$ 8,273	\$ 31,359
Total Assets	<u>\$ 146,516</u>	<u>\$ 4,363</u>	<u>\$ 8,273</u>	<u>\$ 31,359</u>
<b>FUND BALANCES</b>				
Unreserved:				
Special Revenue Funds	\$ 146,516	\$ 4,363	\$ 8,273	\$ 31,359
Capital Project Fund				
Total Fund Balances	<u>\$ 146,516</u>	<u>\$ 4,363</u>	<u>\$ 8,273</u>	<u>\$ 31,359</u>

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

**WHITLEY COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**  
**June 30, 2006**  
**(Continued)**

<b>92 EWater Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 500	\$ 191,011
<u>\$ 500</u>	<u>\$ 191,011</u>
\$ 500	\$ 190,511
<u>500</u>	<u>500</u>
<u>\$ 500</u>	<u>\$ 191,011</u>

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

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**WHITLEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2006**

**WHITLEY COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplemental Information**

**For The Year Ended June 30, 2006**

	<b>Local Government Economic Assistance Fund</b>	<b>Forestry Fund</b>	<b>Tourist Room Tax Fund</b>	<b>911 Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$ 3,336	\$ 43,308	\$ 212,147
Intergovernmental	743,324			78,230
Interest	281	38	68	137
Total Revenues	<u>743,605</u>	<u>3,374</u>	<u>43,376</u>	<u>290,514</u>
<b>EXPENDITURES</b>				
General Government	77,324			273,950
Protection to Persons and Property	19,012	3,367		
General Health and Sanitation				
Social Services	40,000			
Recreation and Culture			42,995	
Debt Service	67,498			
Capital Projects	650			
Administration				58,001
Total Expenditures	<u>204,484</u>	<u>3,367</u>	<u>42,995</u>	<u>331,951</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>539,121</u>	<u>7</u>	<u>381</u>	<u>(41,437)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	5,500			62,300
Transfers To Other Funds	(420,615)			
Total Other Financing Sources (Uses)	<u>(415,115)</u>			<u>62,300</u>
Net Change in Fund Balances	124,006	7	381	20,863
Fund Balances - Beginning	22,510	4,356	7,892	10,496
Fund Balances - Ending	<u>\$ 146,516</u>	<u>\$ 4,363</u>	<u>\$ 8,273</u>	<u>\$ 31,359</u>

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

WHITLEY COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
 Other Supplemental Information  
 For The Year Ended June 30, 2006  
 (Continued)

<u>92 E Water Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 8,000	\$ 258,791
	829,554
	524
<u>8,000</u>	<u>1,088,869</u>
	351,274
	22,379
8,000	8,000
	40,000
	42,995
	67,498
	650
	58,001
<u>8,000</u>	<u>590,797</u>
	498,072
	67,800
	<u>(420,615)</u>
	<u>(352,815)</u>
	145,257
500	45,754
<u>\$ 500</u>	<u>\$ 191,011</u>

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

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**WHITLEY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2006**



**WHITLEY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Whitley County, Kentucky.
2. Two (2) reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. Six (6) instance of noncompliance material to the financial statements of Whitley County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Whitley County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Whitley County reported in Part C of this schedule.
7. The program tested as a major program was: Abandoned Mine Lands Reclamation Program (CFDA 15.252)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Whitley County was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

2006-01 The Fiscal Court Should Improve Purchase And Procurement Procedures

During testing of expenditures, auditors noted non-compliances with purchase requests. The County does not maintain an adequate purchase order system. It was noted that purchase orders are not always issued when required and are not cancelled when fulfilled. Of the expenditures selected for testing, 41% either did not have a purchase order or the purchase order was not signed.

The following are guidelines as prescribed by the State Local Finance Officer:

- Purchases shall not be made without approval by the judge/executive (or designee), and/or a department head.
- Purchase requests shall indicate the proper appropriation account number to which the claim will be posted.
- Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.
- Each department head issuing purchase requests shall keep an updated appropriation ledger and/or create a system of communication between the Department Head and the judge/executive or designee who is responsible for maintaining an updated, comprehensive appropriation ledger for the county.

We also noted 14% of the expenditures tested did not have the original supporting documentation. In addition, 6% of the expenditures tested were not paid within 30 days. KRS 65.140(2) states, "All bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice."

**WHITLEY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

2006-01 The Fiscal Court Should Improve Purchase And Procurement Procedures (Continued)

---

Good internal controls dictate that adequate original supporting documentation be maintained for all receipts and disbursements. All original invoices should be maintained, agreed to the corresponding purchase order, and canceled upon payment. Copies are not acceptable.

Lack of proper accounting practices and internal control increase the risk that misstatements of financial activity and/or fraud will occur and go undetected by the fiscal court. Without proper procedures in place to mitigate this risk, the fiscal court is exposing public resources to potential misstatements and/or fraud.

We recommend the fiscal court maintain all original invoices, issue purchase orders when required, and ensure that all purchase orders are signed and cancelled when fulfilled. Also, invoices should be agreed to purchase orders and discrepancies should be investigated and resolved.

*County Judge/Executive Pat White's Response: In review of the current purchase order system, I have instructed all staff to sign purchase orders as given to vendors and verify pertinent data on the purchase orders to insure the accuracy and we will continue to upgrade the systems.*

2006-02 The Fiscal Court Should Require The Jailer To Submit An Annual Financial Report To The County Treasurer

---

Our audit revealed that the jailer did not submit an annual financial report to the county treasurer as required by KRS 441.135(2). The State Local Finance Officer has prescribed the minimum accounting and reporting requirements pursuant to KRS 68.210. These are to be utilized by county jailers for jail canteen funds maintained pursuant to KRS 441.135. These requirements include, but are not limited to, the jailer submitting an annual financial report to the county treasurer. We recommend the fiscal court require the jailer to submit an annual financial report at the end of each fiscal year in the future.

*County Judge/Executive Pat White's Response: Jailer Mobley presented to the County Treasurer who presented to the Fiscal Court during the July 2007 regular meeting of the county in the July 2007 session.*

2006-03 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary

---

KRS 68.005 states the Fiscal Court should review the Administrative Code annually before the end of the fiscal year. We recommend that the Fiscal Court review the Administrative Code and make necessary changes and modifications as appropriate. The review of the Administrative Code should be reflected in the minutes of the Fiscal Court.

*County Judge/Executive Pat White's Response: The Fiscal Court reviewed and amended the Administrative Code for Whitley County during the regular meeting of the county in the July 2007 session.*

**WHITLEY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

2006-04 The Fiscal Court Should Strengthen Controls Over Employee Timesheets

---

During the testing of payroll, we noted instances of time sheets that were not signed by the employee and/or supervisor. According to KRS 337.320, "Every employer shall keep a record of. . . the hours worked each day and each week by each employee." Good internal controls dictate that all timesheets have supervisory approval and records of vacation and sick time should be properly maintained. In order to strengthen controls over payroll and to properly account for all time worked for each employee, we recommend that the employee's supervisor approve each timesheet.

*County Judge/Executive Pat White's Response: We are currently reviewing alternative new procedures to strengthen controls on time sheets, including, but not limited to upgrades in time clocks.*

2006-05 The Fiscal Court Should Pay The County Judge/Executive In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)

---

KRS 67.705 and KRS 441.245 states that the County Judge/Executive shall receive an annual salary pursuant to the salary schedule and be paid training incentives as set by the Governor's Office for Local Development (GOLD).

The maximum salary for the Judge/Executive in calendar year 2005 was \$79,846 due to training incentive of \$3,194 and salary of \$76,652. Payroll records and reports filed indicate that the Judge/Executive received \$74,293, which is \$5,553 short of the amount that should have been paid.

In addition to the current year salary, amounts are still owed to the County Judge/Executive for past years in the amount of \$7,836. The total owed by the Fiscal Court as of the year ended June 30, 2006 is \$13,389.

We recommend that the former Judge/Executive be paid the amount that is owed.

*County Judge/Executive Pat White's Response: These pay adjustments owed by the Fiscal Court will be paid to Judge Patrick upon release of the Audits.*

2006-06 The Fiscal Court Should Pay The County Jailer In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD)

---

KRS 67.705 and KRS 441.245 state the County Jailer shall receive an annual salary pursuant to the salary schedule and be paid training incentives as set by the Governor's Office for Local Development.

The maximum salary for the Jailer in calendar year 2005 was \$43,117; however, payroll records and reports filed indicate that the Jailer received \$44,727, which is \$1,610 in excess of the amount approved by GOLD.

In addition to the current year salary, amounts are still owed to the County from past years in the amount of \$50,197. The total owed by the former Jailer as of audit year-end June 30, 2006 is \$51,807.

We recommend that the amounts owed to the county be collected from the former Jailer.

**WHITLEY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

2006-06 The Fiscal Court Should Pay The County Jailer In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office Of Local Development (GOLD) (Continued)

---

*County Judge/Executive Pat White's Response: The totals, as stated, due to the County from the former Jailer have been reported on several previous audits. The previous administration claims these monies were not due back to the county and disagreed with the audit findings. I therefore am going to request an opinion from the Attorney General to resolve this matter.*

2006-07 The Fiscal Court Should Follow Their Personnel Policy In Regards To Compensation Time

---

During the test of payroll discrepancies were found in regards to time that was taken off and what was reported on timesheets. After further investigation, it was discovered that the former Judge/Executive allowed some employees to take time off without reporting it on their timesheets and being charged to vacation or personal days. The time off was considered compensation time for time worked at home or time worked at the office but not turned in for pay. Documentation was not provided showing official time and accurate record keeping of compensation time. We were unable to verify how much time was taken in this manner and balances of time used. The County's Personnel Policy (Section 3), clearly states that "*Compensatory time will not be paid.*" We recommend that the Fiscal Court and employees follow the Personnel Policy. We further recommend that timesheets be complete and accurate in regards to time and hours worked.

*County Judge/Executive Pat White's Response: The fiscal court is in the process of reviewing the county personnel policy manual and will take the appropriate measure to either adopt a revised policy or insure this practice does not occur in the future.*

2006-08 The Fiscal Court Should Pay All Bank Notes By The End Of The Fiscal Year

---

As of June 30, 2006, the County had outstanding bank notes of \$464,810. These bank notes were issued in the amount of \$673,000 in April 2005 to be used to cover operating expenses through June 30, 2005. On June 30, 2005, the \$673,000 of bank notes were refinanced with a maturity date of June 30, 2008. We remind the County that KRS 65.7707 states that notes payable shall mature on a date determined by the governing body, which shall be no later than the last day of the fiscal year in which the notes are issued. We recommend the County comply with KRS 65.7707 by having all bank notes paid in full by June 30<sup>th</sup> of the fiscal year in which the notes were obtained.

*County Judge/Executive Pat White's Response: This note was taken with knowledge of the Governor's Office for Local Development to be re-paid over a three year period during the former administration. This note shall be retired during the FY 2007-2008.*

**C. FEDERAL AWARD FINDINGS**

None.

**WHITLEY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2006**  
**(Continued)**

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

The Fiscal Court Should Pay Invoices Within Thirty Days. This finding has not been corrected and is commented on in the current year findings.

The Fiscal Court Should Pay the County Judge/Executive In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development. This finding has not been corrected and is commented on in the current year findings.

The Fiscal Court Should Pay The Jailer In Accordance With Salary Guidelines As Established By The Governor's Office For Local Development. This finding has not been corrected and is commented on in the current year findings.

The County Should Pay All Bank Notes By The End of the Fiscal Year. This finding has not been corrected and is commented on in the current year findings.

Jail Telephone Commissions Should Be Deposited In The Jail Fund. This finding has been corrected.

Restricted LGEA Monies Should Be Returned to LGEA Fund. This finding has been corrected.

Internal Controls Over Employee Time Recordkeeping Should Be Strengthened. This finding has not been corrected and is commented on in the current year findings.

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**WHITLEY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For Year Ended June 30, 2006**



**WHITLEY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2006**

<u>Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>	<u>Total By CFDA #</u>
		<b>Cluster</b>		
<b>U.S. Department of Housing and Urban Development</b>				
<i>Passed through KY Governor's Office for Local Development</i>				
Community Development Block Grant/State's Program	n/a	14.228	8,000	8,000
<b>U.S. Department of Interior - Office of Mine Reclamation</b>				
<i>Passed through KY Environmental Protection Cabinet</i>				
Abandoned Mine Lands Reclamation Program	M-04192404	15.252	1,151,053	1,151,053 ***
<b>U.S. Election Assistance Commission</b>				
<i>Passed through Ky State Board of Elections:</i>				
Help America Vote Act Requirement Payments	n/a	90.401	175,574	175,574
<b>U.S. Department of Homeland Security</b>				
<i>Passed Through KY Office of Homeland Security</i>				
Homeland Security Grant Program	M-04647883	97.004	2,500	2,500
Emergency Management Performance Grant Program	M-05029993	97.042	7,624	7,624
Total U.S. Department of Homeland Security			<u>10,124</u>	<u>10,124</u>
<b>TOTAL FEDERAL EXPENDITURES</b>			<b><u>\$ 1,344,751</u></b>	

*Tested as Major Program or Cluster \*\*\**

**WHITLEY COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2006**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Whitley County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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



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**www.rosscpas.com**

The Honorable Burley J. Foley, Former Whitley County Judge/Executive  
The Honorable Pat White, Jr., Whitley County Judge/Executive  
Members of the Whitley County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 5, 2007. Whitley County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitley County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Whitley County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items: 2006-01 and 2006-04.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above to be material weaknesses.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Whitley County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of material noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items: 2006-02, 2006-03, 2006-05, 2006-06, 2006-07, and 2006-08.

This report is intended solely for the information and use of management and the Kentucky Governor's Office For Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC  
Certified Public Accounts

December 5, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



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The Honorable Burley J. Foley, Former Whitley County Judge/Executive  
The Honorable Pat White, Jr., Whitley County Judge/Executive  
Members of the Whitley County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Whitley County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Whitley County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Whitley County's management. Our responsibility is to express an opinion on Whitley County's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Whitley County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Whitley County's compliance with those requirements.

In our opinion, Whitley County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Whitley County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Whitley County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC  
Certified Public Accountants

December 5, 2007

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

**WHITLEY COUNTY FISCAL COURT**

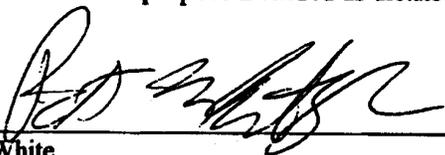
**For The Fiscal Year Ended  
June 30, 2006**



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**WHITLEY COUNTY FISCAL COURT**

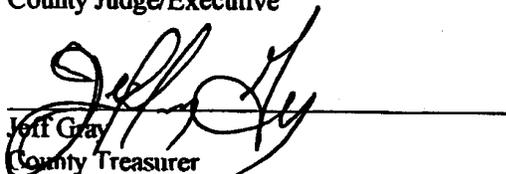
**For The Fiscal Year Ended June 30, 2006**

The Whitley 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.



---

Pat White  
County Judge/Executive



---

Jeff Gray  
County Treasurer

