

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

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



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, Certified Public Accountants, presents the financial statements of the governmental activities, 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, 2007, 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,

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY FISCAL COURT

June 30, 2007

Ross & Company, PLLC has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2007. 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 total net assets of \$3,140,717 as of June 30, 2007. The fiscal court had unrestricted net assets of \$3,344,690 in its governmental activities as of June 30, 2007, with total net assets of \$3,093,667. Total net cash and cash equivalents for the business-type activities were \$25,205 with total net assets of \$47,050. The fiscal court had total debt principal as of June 30, 2007 of \$9,428,694 with \$950,594 due within the next year.

Report Comments:

- 2007-01 The County Should Improve Purchase And Procurement Procedures
- 2007-02 The County Should Pay All Bank Notes By The End Of The Fiscal Year
- 2007-03 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2007-04 The County Should Pay The Former County Judge/Executive, Burley J. Foley, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-05 The County Should Pay The Former County Judge/Executive, Mike Patrick, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-06 The County Should Pay The Former County Jailer, Jerry Taylor, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-07 The County Should Follow Their Personnel Policy In Regards To Compensation Time

Deposits:

The fiscal court's deposits as of June 30, 2007 were exposed to custodial credit risk as follows:

- Unsecured and Uncollateralized \$66,452

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	2
WHITLEY COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	39
NOTES TO FINANCIAL STATEMENTS	41
BUDGETARY COMPARISON SCHEDULES	58
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	63
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	67
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	71
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	75
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	76
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.....	79
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	83
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	87
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

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, 2007, 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, 2007, 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 statements 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 purposes 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 August 1, 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 discusses the following report comments:

- 2007-01 The County Should Improve Purchase And Procurement Procedures
- 2007-02 The County Should Pay All Bank Notes By The End Of The Fiscal Year
- 2007-03 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2007-04 The County Should Pay The Former County Judge/Executive, Burley J. Foley, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-05 The County Should Pay The Former County Judge/Executive, Mike Patrick, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-06 The County Should Pay The Former County Jailer, Jerry Taylor, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)
- 2007-07 The County Should Follow Their Personnel Policy In Regards To Compensation Time

Respectfully submitted,



Ross & Company, PLLC
 Certified Public Accountants

August 1, 2007

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Burley J. Foley, through December 31, 2006	County Judge/Executive
Pat White, Jr., beginning January 1, 2007	County Judge/Executive
Nolan Bird, through December 31, 2006	Magistrate
Roger Wells, beginning January 1, 2007	Magistrate
David Myers	Magistrate
Johnny Lawson, through December 31, 2006	Magistrate
Joe Moses, beginning January 1, 2007	Magistrate
Wayne Wilson, through December 31, 2006	Magistrate
Mike Barid, beginning January 1, 2007	Magistrate

Other Elected Officials:

Paul Winchester, Jr.	County Attorney
Ken Mobley	Jailer
Tom Rains, through December 31, 2006	County Clerk
Kay Schwartz, beginning January 1, 2007	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

THIS PAGE LEFT BLANK INTENTIONALLY

WHITLEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

WHITLEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,325,644	\$ 25,205	\$ 2,350,849
Investments	517,000		517,000
Total Current Assets	<u>2,842,644</u>	<u>25,205</u>	<u>2,867,849</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	698,581		698,581
Buildings	5,960,301		5,960,301
Equipment	701,699	21,845	723,544
Vehicles	427,194		427,194
Infrastructure Assets - Net of Depreciation	<u>1,891,942</u>		<u>1,891,942</u>
Total Noncurrent Assets	<u>9,679,717</u>	<u>21,845</u>	<u>9,701,562</u>
Total Assets	<u>12,522,361</u>	<u>47,050</u>	<u>12,569,411</u>
LIABILITIES			
Current Liabilities:			
General Obligation Bonds	135,000		135,000
Bank Notes Payable	242,894		242,894
Financing Obligations	572,700		572,700
Total Current Liabilities	<u>950,594</u>		<u>950,594</u>
Noncurrent Liabilities:			
General Obligation Bonds	7,295,000		7,295,000
Financing Obligations	<u>1,183,100</u>		<u>1,183,100</u>
Total Noncurrent Liabilities	<u>8,478,100</u>		<u>8,478,100</u>
Total Liabilities	<u>9,428,694</u>		<u>9,428,694</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	(493,917)	21,845	(472,072)
Restricted For:			
Debt Service	242,894		242,894
Unrestricted	<u>3,344,690</u>	<u>25,205</u>	<u>3,369,895</u>
Total Net Assets	<u>\$ 3,093,667</u>	<u>\$ 47,050</u>	<u>\$ 3,140,717</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2007

WHITLEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,182,863	\$ 17,532	\$ 160,053	\$ 106,966
Protection to Persons and Property	3,371,881	2,035,435	297,791	303,492
General Health and Sanitation	57,127			
Social Services	9,708			
Recreation and Culture	48,321			
Roads	838,100		1,934,341	
Debt Service	356,610			
Capital Projects	106,966			688,651
Total Governmental Activities	<u>8,971,576</u>	<u>2,052,967</u>	<u>2,392,185</u>	<u>1,099,109</u>
Business-type Activities:				
Jail Canteen	28,476	25,463		
Total Business-type Activities	<u>28,476</u>	<u>25,463</u>		
Total Primary Government	<u>\$ 9,000,052</u>	<u>\$ 2,078,430</u>	<u>\$ 2,392,185</u>	<u>\$ 1,099,109</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational License Tax
Occupational Net Profits Tax
Other Taxes
In Lieu Tax Payments
Excess Fees
Miscellaneous Revenues
Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

WHITLEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,898,312)	\$	\$ (3,898,312)
(735,163)		(735,163)
(57,127)		(57,127)
(9,708)		(9,708)
(48,321)		(48,321)
1,096,241		1,096,241
(356,610)		(356,610)
581,685		581,685
(3,427,315)		(3,427,315)
	(3,013)	(3,013)
	(3,013)	(3,013)
(3,427,315)	(3,013)	(3,430,328)
636,368		636,368
114,390		114,390
158,911		158,911
3,166,741		3,166,741
515,505		515,505
702,912		702,912
132,231		132,231
74,712		74,712
104,261		104,261
103,730		103,730
5,709,761		5,709,761
2,282,446	(3,013)	2,279,433
811,221	50,063	861,284
\$ 3,093,667	\$ 47,050	\$ 3,140,717

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

THIS PAGE LEFT BLANK INTENTIONALLY

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>	<u>Occupational Tax Fund</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,067,651	\$ 405,830	\$ 24,124	\$ 186,016	\$ 154,507
Investments					
Total Assets	<u>1,067,651</u>	<u>405,830</u>	<u>24,124</u>	<u>186,016</u>	<u>154,507</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Bank Note Payable			242,894		
Total Liabilities			<u>242,894</u>		
FUND BALANCES					
Reserved for:					
Encumbrances	35,872	100	12,838		
Unreserved:					
General Fund	1,031,779				
Special Revenue Funds		405,730	(231,608)	186,016	154,507
Debt Service Fund					
Total Fund Balances	<u>1,067,651</u>	<u>405,830</u>	<u>(218,770)</u>	<u>186,016</u>	<u>154,507</u>
Total Liabilities and Fund Balances	<u>\$ 1,067,651</u>	<u>\$ 405,830</u>	<u>\$ 24,124</u>	<u>\$ 186,016</u>	<u>\$ 154,507</u>

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

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2007
(Continued)

Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 31,817	\$ 455,699	\$ 2,325,644
517,000		517,000
<u>548,817</u>	<u>455,699</u>	<u>2,842,644</u>
		242,894
		<u>242,894</u>
	1,644	50,454
		1,031,779
	454,055	968,700
<u>548,817</u>		<u>548,817</u>
<u>548,817</u>	<u>455,699</u>	<u>2,599,750</u>
<u>\$ 548,817</u>	<u>\$ 455,699</u>	<u>\$ 2,842,644</u>

Reconciliation Of The Balance Sheet - Governmental Funds To The Statement Of Net Assets:

Total Fund Balances	\$ 2,599,750
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.	12,941,750
Accumulated Depreciation	(3,262,033)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(1,755,800)
Bonded Debt	<u>(7,430,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,093,667</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	Ambulance Fund
REVENUES				
Taxes	\$ 1,187,644	\$	\$	\$
In Lieu Tax Payments	66,634	65,597		
Excess Fees	74,712			
Licenses and Permits	17,532			
Intergovernmental	232,573	1,329,996	1,011,009	10,684
Charges for Services			66,715	1,120,922
Miscellaneous	50,493	320	44,907	8,451
Interest	25,496	22,719	4,061	5,749
Total Revenues	<u>1,655,084</u>	<u>1,418,632</u>	<u>1,126,692</u>	<u>1,145,806</u>
EXPENDITURES				
General Government	943,575	14,400		
Protection to Persons and Property	113,571		1,346,657	791,175
General Health and Sanitation	57,127			
Social Services	9,708			
Recreation and Culture	1,000			
Roads		601,283		
Debt Service	359,623	346,116	38,542	6,989
Capital Projects				
Administration	289,109	227,335	321,447	264,383
Total Expenditures	<u>1,773,713</u>	<u>1,189,134</u>	<u>1,706,646</u>	<u>1,062,547</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(118,629)</u>	<u>229,498</u>	<u>(579,954)</u>	<u>83,259</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	2,184,834	225,000	1,317,003	
Transfers To Other Funds	(1,107,048)	(225,000)	(603,092)	
Total Other Financing Sources (Uses)	<u>1,077,786</u>	<u></u>	<u>713,911</u>	<u></u>
Net Change in Fund Balances	959,157	229,498	133,957	83,259
Fund Balances - Beginning	108,494	176,332	(352,727)	102,757
Fund Balances - Ending	<u>\$ 1,067,651</u>	<u>\$ 405,830</u>	<u>\$ (218,770)</u>	<u>\$ 186,016</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, 2007
(Continued)

Occupational Tax Fund	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 3,682,247	\$	\$ 415,018	\$ 5,284,909
			132,231
			74,712
			17,532
		1,764,748	4,349,010
			1,187,637
		90	104,261
14,383	28,177	3,145	103,730
<u>3,696,630</u>	<u>28,177</u>	<u>2,183,001</u>	<u>11,254,022</u>
114,818		63,741	1,136,534
		1,187,907	3,439,310
			57,127
			9,708
		47,321	48,321
		23,692	624,975
	516,239		1,267,509
		106,966	106,966
1,846,945		53,389	3,002,608
<u>1,961,763</u>	<u>516,239</u>	<u>1,483,016</u>	<u>9,693,058</u>
1,734,867	(488,062)	699,985	1,560,964
	489,690	25,000	4,241,527
(1,845,932)		(460,455)	(4,241,527)
<u>(1,845,932)</u>	<u>489,690</u>	<u>(435,455)</u>	
(111,065)	1,628	264,530	1,560,964
265,572	547,189	191,169	1,038,786
<u>\$ 154,507</u>	<u>\$ 548,817</u>	<u>\$ 455,699</u>	<u>\$ 2,599,750</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

**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, 2007

**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, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,560,964
--	--------------

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.

Capital Outlay	451,346
Depreciation Expense	(582,585)
Asset Disposal, Net Value	(58,178)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Amount	780,899
Bond Principal Payments	<u>130,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 2,282,446</u></u>
---	----------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

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

June 30, 2007

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

June 30, 2007

	Business-Type Activities - Enterprise Funds
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 25,205
Total Current Assets	25,205
Noncurrent Assets:	
Capital Assets:	
Equipment	26,319
Less Accumulated Depreciation	(4,474)
Total Noncurrent Assets	21,845
Total Assets	47,050
Net Assets	
Invested in Capital Assets, Net of Related Debt	21,845
Unrestricted	25,205
Total Net Assets	\$ 47,050

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 25,463
Total Operating Revenues	25,463
Operating Expenses	
Inventory	12,907
Equipment	13,332
Depreciation	2,237
Total Operating Expenses	28,476
Operating Income	(3,013)
Change In Net Assets	(3,013)
Total Net Assets - Beginning	50,063
Total Net Assets - Ending	\$ 47,050

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
	<u> </u>	<u> </u>
Cash Flows From Operating Activities		
Receipts from Customers	\$ 25,463	
Inventory	(12,907)	
Equipment	<u>(13,332)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(776)	
Cash and Cash Equivalents - July 1, 2006	<u>25,981</u>	
Cash and Cash Equivalents - June 30, 2007	<u><u>25,205</u></u>	
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities		
<hr/>		
Operating Income (Loss)	(3,013)	
Plus: Depreciation Expense	<u>2,237</u>	
Net Cash Provided By Operating Activities	<u><u>\$ (776)</u></u>	

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

June 30, 2007

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

June 30, 2007

	Agency Fund
	Jail Inmate Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 18,411
Total Assets	18,411
Liabilities	
Amounts Held In Custody For Others	18,411
Total Liabilities	\$ 18,411

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	41
NOTE 2.	DEPOSITS AND INVESTMENTS	47
NOTE 3.	CAPITAL ASSETS	49
NOTE 5.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	55
NOTE 6.	RELATED PARTY TRANSACTIONS	55
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	55
NOTE 8.	DEFERRED COMPENSATION	55
NOTE 9.	INSURANCE	56

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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 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, road projects, and other county 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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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 on July 15, following the delinquency date.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 at 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 licenses 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.

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.

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

Public Properties Corporation Fund – A blended component unit of the County, is used to account 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 financing courthouse renovations, road projects, and other county 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, Federal Grant Fund, Forestry Fund, Tourist Tax Fund, 911 Fund, and the 92 E Water Fund.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, Federal Grant Fund, Occupational Tax Fund, Forestry Fund, Tourist 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 Public Properties Corporation 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.

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 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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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).

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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

"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) is not budgeted by the county. 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, 2007
(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) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, public funds were exposed to custodial credit risk as follows:

- Uninsured and Uncollateralized - \$66,452

B. Investments

As of June 30, 2007, Whitley County's investments were as follows:

<u>Investments</u>	<u>Maturity</u>	<u>Cost</u>	<u>Market</u>	<u>Rating</u>	<u>Concentration</u>
Primary Government					
Federal National Mortgage Association	10/8/2027	\$ 517,000	\$ 167,549	AAA	1.000

Interest Rate Risk

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.

Credit Risk and Concentration of 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 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; banker's 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 or agency

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk and Concentration of Credit Risk (Continued)

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 in no more than 20% in any one of four specifically mentioned investments as outlined in KRS 66.480. Certificates of deposit are not considered a limited investment per KRS 66.480. 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, 2007, the County's investments were insured or registered, or held by the County or its agent in the County's name.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<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	7,359,844	106,966		7,466,810
Land Improvements	416,889			416,889
Equipment	1,071,626	16,000	(20,000)	1,067,626
Vehicles	697,074	264,813	(175,641)	786,246
Infrastructure	2,823,487	63,567		2,887,054
Total Capital Assets Being Depreciated	12,368,920	451,346	(195,641)	12,624,625
Less Accumulated Depreciation For:				
Buildings	(1,326,589)	(179,920)		(1,506,509)
Land Improvements	(23,621)	(11,812)		(35,433)
Equipment	(316,328)	(65,599)	16,000	(365,927)
Vehicles	(426,806)	(53,709)	121,463	(359,052)
Infrastructure	(723,567)	(271,545)		(995,112)
Total Accumulated Depreciation	(2,816,911)	(582,585)	137,463	(3,262,033)
Total Capital Assets, Being Depreciated, Net	9,552,009	(131,239)	(58,178)	9,362,592
Governmental Activities Capital Assets, Net	<u>\$ 9,869,134</u>	<u>\$ (131,239)</u>	<u>\$ (58,178)</u>	<u>\$ 9,679,717</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)		(4,474)
Total Accumulated Depreciation	(2,237)	(2,237)		(4,474)
Total Capital Assets, Being Depreciated, Net	24,082	(2,237)		21,845
Business-Type Activities Capital Assets, Net	<u>\$ 24,082</u>	<u>\$ (2,237)</u>	<u>\$</u>	<u>\$ 21,845</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets (Continued)

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

<u>Governmental Activities:</u>	
General Government	\$ 92,509
Protection to Persons and Property	197,384
Roads, Including Depreciation of General Infrastructure Assets	<u>292,692</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 582,585</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. General Obligation Bonds, Series 2002

On April 1, 2002, the county issued \$7,685,000 of General Obligation Bonds issued 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 outstanding principal balance of the bonds was \$7,430,000 as of June 30, 2007, 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
2008	\$ 135,000	\$ 379,739
2009	140,000	372,989
2010	150,000	365,989
2011	155,000	358,489
2012	165,000	350,739
2013-2017	955,000	1,621,445
2018-2022	1,220,000	1,357,662
2023-2027	1,555,000	1,015,582
2028-2032	2,000,000	570,700
2033-2034	<u>955,000</u>	<u>75,140</u>
Totals	<u>\$ 7,430,000</u>	<u>\$ 6,468,474</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

B 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 \$425,000 as of June 30, 2007. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
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>\$ 425,000</u>	<u>\$ 63,040</u>

C. 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 \$70,800 as of June 30, 2007. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 22,700	\$ 2,636
2009	23,600	1,645
2010	24,500	614
Totals	<u>\$ 70,800</u>	<u>\$ 4,895</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

D. 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 \$95,000 as of June 30, 2007. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	<u>\$ 95,000</u>	<u>\$ 5,678</u>

E. 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 \$70,000 as of June 30, 2007. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	<u>\$ 70,000</u>	<u>\$ 4,315</u>

F. 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 \$520,000 as of June 30, 2007. Financing obligation payments for the remaining years are:

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

F. Court Facilities Project (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 25,000	\$ 22,200
2009	25,000	21,300
2010	25,000	20,400
2011	25,000	19,500
2012	30,000	18,600
2013-2017	155,000	75,110
2018-2022	190,000	38,319
2023	45,000	2,138
Totals	<u>\$ 520,000</u>	<u>\$ 217,567</u>

G. 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 paid in full during the fiscal year.

H. 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 paid in full during the fiscal year.

I. 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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

I. Refunding of 1995 Bonds and 1997 Certificates (Continued)

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 \$575,000 as of June 30, 2007. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 285,000	\$ 17,037
2009	290,000	9,200
Totals	<u>\$ 575,000</u>	<u>\$ 26,237</u>

J. Bank Note Payable

On June 30, 2007, 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 \$242,894 as of June 30, 2007.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	<u>\$ 242,894</u>	<u>Variable</u>

K. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ 7,560,000	\$	\$ 130,000	\$ 7,430,000	\$ 135,000
Bank Note Payable	464,810		221,916	242,894	242,894
Financing Obligations	2,536,699		780,899	1,755,800	572,700
Governmental Activities					
Long-term Liabilities	<u>\$ 10,561,509</u>	<u>\$</u>	<u>\$ 1,132,815</u>	<u>\$ 9,428,694</u>	<u>\$ 950,594</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

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

Debt Service on the Statement of Activities includes \$356,610 in interest on long-term bonds and financing obligations.

Note 6. Related Party Transactions

During the year ended June 30, 2007, Whitley County Fiscal Court paid JLG Identification Solutions, Inc., \$3,575 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 13.19 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 28.21 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.

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, 101 Sea Hero Road Suite 110, Frankfort, KY 40601-8862.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 9. Insurance

For the fiscal year ended June 30, 2007, 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.

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,084,586	\$ 1,178,327	\$ 1,187,644	\$ 9,317
In Lieu Tax Payments	69,700	72,043	66,634	(5,409)
Excess Fees	115,389	115,389	74,712	(40,677)
Licenses and Permits	500	14,853	17,532	2,679
Intergovernmental	218,960	246,786	232,573	(14,213)
Miscellaneous	39,050	58,903	50,493	(8,410)
Interest	1,200	18,602	25,496	6,894
Total Revenues	<u>1,529,385</u>	<u>1,704,903</u>	<u>1,655,084</u>	<u>(49,819)</u>
EXPENDITURES				
General Government	925,369	1,161,349	943,575	217,774
Protection to Persons and Property	91,300	115,743	113,571	2,172
General Health and Sanitation	57,200	67,324	57,127	10,197
Social Services	3,500	11,208	9,708	1,500
Recreation and Culture		1,000	1,000	
Debt Service	376,717	376,717	359,623	17,094
Capital Projects	20,300	20,300		20,300
Administration	449,925	950,845	289,109	661,736
Total Expenditures	<u>1,924,311</u>	<u>2,704,486</u>	<u>1,773,713</u>	<u>930,773</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(394,926)</u>	<u>(999,583)</u>	<u>(118,629)</u>	<u>880,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,638,390	2,184,835	2,184,834	(1)
Transfers To Other Funds	<u>(1,268,464)</u>	<u>(1,293,464)</u>	<u>(1,107,048)</u>	<u>186,416</u>
Total Other Financing Sources (Uses)	<u>369,926</u>	<u>891,371</u>	<u>1,077,786</u>	<u>186,415</u>
Net Changes in Fund Balance	(25,000)	(108,212)	959,157	1,067,369
Fund Balance - Beginning	<u>25,000</u>	<u>108,212</u>	<u>108,212</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,067,369</u>	<u>\$ 1,067,369</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 9,000	\$ 65,596	\$ 65,597	\$ 1
Intergovernmental	2,177,223	2,261,699	1,329,996	(931,703)
Miscellaneous	1,100	1,100	320	(780)
Interest	1,000	19,559	22,719	3,160
Total Revenues	<u>2,188,323</u>	<u>2,347,954</u>	<u>1,418,632</u>	<u>(929,322)</u>
EXPENDITURES				
General Government	14,400	14,400	14,400	
Roads	1,618,907	1,673,528	601,283	1,072,245
Debt Service	346,116	346,116	346,116	
Administration	243,900	490,242	227,335	262,907
Total Expenditures	<u>2,223,323</u>	<u>2,524,286</u>	<u>1,189,134</u>	<u>1,335,152</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(35,000)</u>	<u>(176,332)</u>	<u>229,498</u>	<u>405,830</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	225,000	225,000	225,000	
Transfers To Other Funds	(225,000)	(225,000)	(225,000)	
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u></u>	<u></u>
Net Changes in Fund Balance	(35,000)	(176,332)	229,498	405,830
Fund Balance - Beginning	<u>35,000</u>	<u>176,332</u>	<u>176,332</u>	<u></u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 405,830</u>	<u>\$ 405,830</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,330,346	\$ 1,402,233	\$ 1,011,009	\$ (391,224)
Charges for Services	58,100	59,215	66,715	7,500
Miscellaneous	5,900	34,944	44,907	9,963
Interest	1,600	3,592	4,061	469
Total Revenues	<u>1,395,946</u>	<u>1,499,984</u>	<u>1,126,692</u>	<u>(373,292)</u>
EXPENDITURES				
Protection to Persons and Property	1,554,039	1,655,231	1,346,657	308,574
Debt Service	847,064	750,149	750,148	1
Administration	351,846	410,289	321,447	88,842
Total Expenditures	<u>2,752,949</u>	<u>2,815,669</u>	<u>2,418,252</u>	<u>397,417</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,357,003)</u>	<u>(1,315,685)</u>	<u>(1,291,560)</u>	<u>24,125</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,317,003	1,317,003	1,317,003	
Transfers To Other Funds		(113,401)	(113,402)	1
Total Other Financing Sources (Uses)	<u>1,317,003</u>	<u>1,203,602</u>	<u>1,203,601</u>	<u>1</u>
Net Changes in Fund Balance	(40,000)	(112,083)	(87,959)	24,124
Fund Balance - Beginning	40,000	112,083	(352,727)	(464,810)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (440,686)</u>	<u>\$ (440,686)</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$		\$ 10,684	\$
Charges for Services		960,000	1,120,922	160,922
Miscellaneous		5,000	8,451	2,219
Interest		200	5,749	91
Total Revenues		<u>965,200</u>	<u>1,145,806</u>	<u>163,232</u>
EXPENDITURES				
Protection to Persons and Property		933,375	791,175	187,476
Debt Service		36,341	6,989	29,352
Administration		346,700	264,383	136,371
Total Expenditures		<u>1,316,416</u>	<u>1,062,547</u>	<u>353,199</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(351,216)</u>	<u>83,259</u>	<u>516,431</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		186,416		(186,416)
Leasing Reciepts		144,000		(144,000)
Total Other Financing Sources (Uses)		<u>330,416</u>		<u>(330,416)</u>
Net Changes in Fund Balances		(20,800)	83,259	186,015
Fund Balances - Beginning		<u>20,800</u>	<u>102,757</u>	<u>1</u>
Fund Balances - Ending	\$	<u>0</u>	\$ <u>186,016</u>	\$ <u>186,016</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,175,000	\$ 3,628,151	\$ 3,682,247	\$ 54,096
Interest	3,200	11,687	14,383	2,696
Total Revenues	<u>3,178,200</u>	<u>3,639,838</u>	<u>3,696,630</u>	<u>56,792</u>
EXPENDITURES				
General Government	130,350	157,850	114,818	43,032
Administration	1,634,560	1,901,626	1,846,945	54,681
Total Expenditures	<u>1,764,910</u>	<u>2,059,476</u>	<u>1,961,763</u>	<u>97,713</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,413,290</u>	<u>1,580,362</u>	<u>1,734,867</u>	<u>154,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(1,413,390)</u>	<u>(1,845,934)</u>	<u>(1,845,932)</u>	<u>2</u>
Total Other Financing Sources (Uses)	<u>(1,413,390)</u>	<u>(1,845,934)</u>	<u>(1,845,932)</u>	<u>2</u>
Net Changes in Fund Balances	(100)	(265,572)	(111,065)	154,507
Fund Balances - Beginning	<u>100</u>	<u>265,572</u>	<u>265,572</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 154,507</u>	<u>\$ 154,507</u>

WHITLEY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

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. A formal budget is not adopted for the Public Properties Corporation Fund.

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

Fund Balance - Budgetary Basis	\$ 1,067,369
Plus: Cash Balance in Bond Account	<u>282</u>
Fund Balance - Modified Cash Basis	<u><u>\$ 1,067,651</u></u>

Reconciliation of Jail Fund

Expenditures - Budgetary Basis	\$ 2,418,252
Less: Bank Note Principal Payments	(221,916)
Less: Transfers Out to Public Properties Corporation	<u>(489,690)</u>
Expenditures - Modified Cash Basis	<u><u>\$ 1,706,646</u></u>
Other Financing Sources (Uses)	
Budgetary Basis	\$ 1,203,601
Less: Transfers Out to Public Properties Corporation	<u>(489,690)</u>
Modified Cash Basis	<u><u>\$ 713,911</u></u>
Fund Balance - Budgetary Basis	\$ (440,686)
Plus: Bank Note Principal Payments	<u>221,916</u>
Fund Balance - Modified Cash Basis	<u><u>\$ (218,770)</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

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

June 30, 2007

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

June 30, 2007

	Local Government Economic Assistance Fund	Federal Grant Fund	Forestry Fund	Tourist Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 292,341	\$ 158	\$ 4,572	\$ 9,183
Total Assets	<u>292,341</u>	<u>158</u>	<u>4,572</u>	<u>9,183</u>
FUND BALANCES				
Reserved for:				
Encumbrances				
Unreserved:				
Special Revenue Funds	<u>292,341</u>	<u>158</u>	<u>4,572</u>	<u>9,183</u>
Total Fund Balances	<u>\$ 292,341</u>	<u>\$ 158</u>	<u>\$ 4,572</u>	<u>\$ 9,183</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, 2007
(Continued)

<u>911</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
\$ 149,445	\$ 455,699
<u>149,445</u>	<u>455,699</u>
1,644	1,644
<u>147,801</u>	<u>454,055</u>
<u>\$ 149,445</u>	<u>\$ 455,699</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2007

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, 2007

	Local Government Economic Assistance Fund	Federal Grant Fund	Forestry Fund	Tourist Tax Fund
REVENUES				
Taxes	\$	\$	\$ 3,429	\$ 48,012
Intergovernmental	1,014,802	636,888		
Miscellaneous				
Interest	494		146	219
Total Revenues	<u>1,015,296</u>	<u>636,888</u>	<u>3,575</u>	<u>48,231</u>
EXPENDITURES				
General Government	63,741			
Protection to Persons and Property	240,117	636,888	3,366	
Recreation and Culture				47,321
Roads	23,692			
Capital Projects	106,966			
Administration				
Total Expenditures	<u>434,516</u>	<u>636,888</u>	<u>3,366</u>	<u>47,321</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>580,780</u>		<u>209</u>	<u>910</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	25,000			
Transfers To Other Funds	<u>(459,955)</u>			
Total Other Financing Sources (Uses)	<u>(434,955)</u>			
Net Change in Fund Balances	145,825		209	910
Fund Balances - Beginning	146,516	158	4,363	8,273
Fund Balances - Ending	<u>\$ 292,341</u>	<u>\$ 158</u>	<u>\$ 4,572</u>	<u>\$ 9,183</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, 2007
(Continued)

911 Fund	92 E Water Fund	Total Non-Major Governmental Funds
\$ 363,577	\$	\$ 415,018
113,058		1,764,748
90		90
2,286		3,145
<u>479,011</u>		<u>2,183,001</u>
		63,741
307,536		1,187,907
		47,321
		23,692
		106,966
<u>53,389</u>		<u>53,389</u>
<u>360,925</u>		<u>1,483,016</u>
<u>118,086</u>		<u>699,985</u>
		25,000
	<u>(500)</u>	<u>(460,455)</u>
	<u>(500)</u>	<u>(435,455)</u>
118,086	(500)	264,530
31,359	500	191,169
<u>\$ 149,445</u>	<u>\$ 0</u>	<u>\$ 455,699</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2007

WHITLEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2007

<u>Program Title</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>	<u>Total By CFDA #</u>
		<i>Cluster</i>		
U.S. Department of Commerce				
<i>Administered by NOAA</i>				
Congressionally Identified Awards and Projects <i>(PRIDE Grant Program)</i>	CF05-46	11.469	\$ 51,763	51,763
U.S. Department of Interior				
<i>Passed through KY Environmental Protection Cabinet</i>				
Abandoned Mine Land Reclamation Program	GR507210	15.252	636,888	636,888 ***
U.S. Department of Homeland Security				
<i>Passed Through KY Office of Homeland Security</i>				
Emergency Management Performance Grant	M-05029993	97.042	3,812	
Emergency Management Performance Grant	0600001309 2	97.042	4,098	
Emergency Management Performance Grant	0700003618 1	97.042	2,929	10,839
Total U.S. Department of Homeland Security			10,839	10,839
TOTAL FEDERAL EXPENDITURES				\$ 699,490

*Tested as Major Program or Cluster ****

WHITLEY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

For The Year Ended June 30, 2007

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**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
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, 2007 which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated August 1, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Whitley County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Whitley County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-01, 2007-03, and 2007-07 to be significant deficiencies in internal control over financial reporting.

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)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies listed above are material weaknesses.

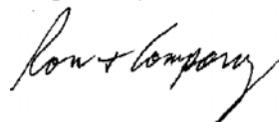
Compliance And Other Matters

As part of obtaining reasonable assurance about whether Whitley County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2007-02, 2007-04, 2007-05, and 2007-06.

The Whitley County Judge/Executive's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

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 these specified parties.

Respectfully submitted,



Ross & Company, PLLC
Certified Public Accountants

August 1, 2007

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

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
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 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, 2007. 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, 2007.

Internal Control Over Compliance

The management of Whitley County is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Whitley County's internal control over compliance.

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)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Kentucky Governor's Office for Local Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Ross & Company, PLLC
Certified Public Accountants

August 1, 2007

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

For The Year Ended June 30, 2007

WHITLEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2007

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 the aggregate remaining fund information of Whitley County, Kentucky.
2. Three (3) significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. Four (4) instances of noncompliance material to the financial statements of Whitley County were 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

2007-01 The County Should Improve Purchase And Procurement Procedures

During testing we noted several items of nonfederal expenditures tested that either did not have the original supporting documentation, were not paid within 30 days, or the invoice did not properly detail work performed. 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."

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 and ensure that all purchase orders are signed. 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.

WHITELY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2007
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2007-02 The County Should Pay All Bank Notes By The End Of The Fiscal Year

As of June 30, 2007, the County had outstanding bank notes of \$242,894. 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 30th 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.

2007-03 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The County did not have a completed capital asset schedule for fiscal year ending June 30, 2007. A list of capital asset additions and disposals were not properly maintained. In addition, assets were disposed of without proper descriptions therefore we were unable to identify these items in order to remove the items from the capital asset schedule. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital assets schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure that only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated from a reliable listing.

County Judge/Executive Pat White's Response: As the new administration for the County's Government, I will evaluate the addition of a new software package for inventory control meeting GASB 34 compliance and shall develop increased controls to improve accuracy of Capital Asset Management.

WHITELY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2007
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2007-04 The County Should Pay The Former County Judge/Executive, Burley J. Foley In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)

KRS 67.705 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 2006 was \$71,818; however, payroll records and reports filed indicate that the Judge/Executive received \$72,731, which is \$913 over the amount that should have been paid.

We recommend that the Fiscal Court collect the amount of \$913 owed from the former County Judge/Executive for salary overpayment in calendar year 2006.

County Judge/Executive Pat White's Response: Judge Foley shall be informed that the original salary for his term in office as given to the County by the Governors' Office for Local Development and then reduced on the release of the official 2006 schedule was not corrected and request him to reimburse the County for this overpayment.

2007-05 The County Should Pay The Former County Judge/Executive, Mike Patrick In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)

The prior year audit reported that the former County Judge/Executive was underpaid in salary and training incentives in the amount of \$5,553, \$3,093, and \$4,743 for calendar years 2005, 2004, and 2003, respectively.

KRS 67.705 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 cumulative amount owed to the former County Judge/Executive as of the year ended June 30, 2007 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.

2007-06 The County Should Pay Former County Jailer, Jerry Taylor, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD)

KRS 67.705 states that 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 (GOLD).

The total owed to the Fiscal Court from prior year salary overpayments to the former County Jailer as of audit year end June 30, 2007 is \$51,807.

WHITELY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2007
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2007-06 The County Should Pay Former County Jailer, Jerry Taylor, In Accordance With Maximum Salary And Training Incentive Guidelines As Established By The Governor's Office For Local Development (GOLD) (Continued)

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

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 finds. I therefore, am going to request an opinion from the Attorney General to resolve this matter.

2007-07 The County 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.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2006-01 The Fiscal Court Should Improve Purchase And Procurement Procedures. This finding has not been corrected and is commented on in the current year findings. See item 2007-01.

2006-02 The Fiscal Court Should Require The Jailer To Submit An Annual Financial Report To The County Treasurer. This finding has been corrected.

2006-03 The Fiscal Court Should Annually Review The Administrative Code And Make Any Changes Or Revisions They Deem Necessary. This finding has been corrected.

2006-04 The Fiscal Court Should Strengthen Controls Over Employee Timesheets. This finding has been corrected.

WHITELY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Supplemental Information
Fiscal Year Ended June 30, 2007
(Continued)

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

- 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 For Local Development (GOLD). This finding has not been corrected and is commented on in the current year findings. See findings 2007-04 and 2007-05.
- 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 For Local Development (GOLD). This finding has not been corrected and is commented on in the current year findings. See finding 2007-06.
- 2006-07 The Fiscal Court Should Follow Their Personnel Policy In Regards To Compensation Time. This finding has not been corrected and is commented on in the current year findings. See finding 2007-07.
- 2006-08 The Fiscal Court 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. See finding 2007-02.

THIS PAGE LEFT BLANK INTENTIONALLY

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

WHITLEY COUNTY FISCAL COURT

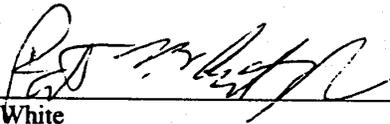
**For The Fiscal Year Ended
June 30, 2007**

APPENDIX A

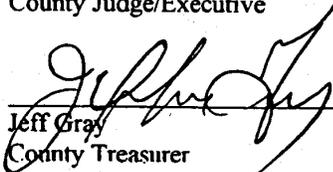
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2007

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