

**REPORT OF THE AUDIT OF THE
WHITLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Whitley County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$20,470 from the prior year, resulting in excess fees of \$128,368 as of December 31, 2009. Revenues increased by \$801,181 from the prior year and expenditures increased by \$821,651.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Pat White, Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Whitley County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2010 on our consideration of the Whitley County Clerk'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.



The Honorable Pat White, Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
Members of the Whitley County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Whitley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

September 24, 2010

WHITLEY COUNTY
KAY SCHWARTZ, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants - Library and Archives		\$ 13,427
State Fees For Services		14,746
Fiscal Court		12,516
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,101,359	
Usage Tax	1,663,033	
Tangible Personal Property Tax	2,166,823	
Other-		
Fish and Game Licenses	4,012	
Marriage Licenses	14,910	
Deed Transfer Tax	39,895	
Delinquent Tax	<u>1,524,603</u>	6,514,635
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	19,244	
Real Estate Mortgages	18,496	
Chattel Mortgages and Financing Statements	94,974	
Powers of Attorney	3,549	
All Other Recordings	61,469	
Charges for Other Services-		
Candidate Filing Fees	2,250	
Copywork	94,433	
Miscellaneous	<u>242</u>	294,657
Other:		
Franchise Bank Deposit Taxes		94,715
Interest Earned		<u>5,723</u>
Total Revenues		6,950,419

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

WHITLEY COUNTY
 KAY SCHWARTZ, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 762,190	
Usage Tax	1,613,135	
Tangible Personal Property Tax	882,680	

Licenses, Taxes, and Fees-

Fish and Game Licenses	3,903	
Delinquent Tax	183,193	
Legal Process Tax	26,503	
Affordable Housing Trust	37,584	
Marriage License	5,670	\$ 3,514,858

Payments to Fiscal Court:

Tangible Personal Property Tax	153,755	
Delinquent Tax	158,778	
Deed Transfer Tax	37,900	
Franchise Bank Deposit Taxes	94,715	445,148

Payments to Other Districts:

Tangible Personal Property Tax	1,044,888	
Delinquent Tax	843,714	1,888,602

Payments to Sheriff

66,619

Payments to County Attorney

163,759

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	370,858	
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Employee Benefits-

Employer's Share Social Security	33,382	
Employer's Share Retirement	65,746	
Employer's Paid Health Insurance	75,009	

Contracted Services-

Advertising	880	
Printing and Binding	3,600	

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

WHITLEY COUNTY
 KAY SCHWARTZ, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Materials and Supplies-			
Office Supplies	\$	19,299	
Other Charges-			
Conventions and Travel		6,152	
Dues		1,320	
Postage		8,842	
Insurance Bond		6,334	
Training Expenses		3,269	
Branch Office Rent		12,000	
Return Checks		1,077	
Capital Outlay-			
Office Equipment & Maintenance		24,755	
Libraries and Archives Equipment		13,188	
Miscellaneous Archives Expenditures		239	
		<u> </u>	\$ 645,950
Operating Lease			
Postage Meter		1,416	
Copiers		7,427	
		<u> </u>	<u> </u> 8,843
Total Expenditures			<u> </u> \$ 6,733,779
Net Revenues			216,640
Less: Statutory Maximum			<u> </u> 82,026
Excess Fees			134,614
Less: Expense Allowance		3,600	
Training Incentive Benefit		2,646	
		<u> </u>	<u> </u> 6,246
Excess Fees Due County for 2009			128,368
Payment to Fiscal Court - February 11, 2010			<u> </u> 125,000
Balance Due Fiscal Court at Completion of Audit			<u> </u> \$ 3,368

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county official and employees have 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. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

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

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 Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Whitley County Clerk 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 Clerk 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 County Clerk's deposits may not be returned. The Whitley County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2009
 (Continued)

Note 4. Local Records Grant

As of December 31, 2008 the County clerk had a balance of \$13,420 in the Local Records Grant Account from the Kentucky Department for Libraries and Archives to be used for the purchases of a roller desk and film cartridges. During calendar year 2009 the account earned interest of \$7. The County Clerk expended \$13,427 during the year leaving a zero balance as of December 31, 2009.

Note 5. Operating Lease

The Whitley County Clerk's office entered into lease agreements for 5 copiers, and a postage machine, and a maintenance agreement for the fax machine. The future minimum lease and maintenance agreement payments as of December 31, 2009 are as follows:

<u>Item</u> <u>Purchased</u>	<u>Monthly</u> <u>Payment</u>	<u>Term of</u> <u>Agreement</u>	<u>Ending</u> <u>Date</u>	<u>Balance</u> <u>As Of</u> <u>12/31/2009</u>
Postage Machine	\$ 118	60 Months	June 27, 2012	\$ 3,540
Copier	132	60 Months	April 3, 2012	3,816
Copier	111	60 Months	October 3, 2013	5,204
Copier	166	60 Months	November 24, 2013	8,156
Copier	115	60 Months	November 24, 2013	5,653
Copier	115	60 Months	November 24, 2013	5,653
Fax Machine Maintenance	18	36 Months	December 31, 2010	261

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



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Pat White, Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
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 The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Whitley County Clerk for the year ended December 31, 2009, and have issued our report thereon dated September 24, 2010. The County Clerk's financial statement is prepared in accordance with a 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 the Whitley County Clerk'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 the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Whitley County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Whitley County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

September 24, 2010

