

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

**For The Fiscal Year Ended  
June 30, 2011**



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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WHITLEY COUNTY FISCAL COURT**

**June 30, 2011**

Peercy & Gray, PSC has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2011. 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 net assets of \$9,138,822 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,243,317 in its governmental activities as of June 30, 2011, with total net assets of \$9,077,961. In its business-type activities, total net cash and cash equivalents were \$47,965 with total net assets of \$60,861. The fiscal court had total debt principal as of June 30, 2011 of \$24,200,100 with \$1,064,002 due within the next year.

**Report Comment:**

**2011-1** The Jailer Should Strengthen Controls Over Jail Commissary Operations

**Deposits:**

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

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## PEERCY AND GRAY, PSC

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

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, 2011, 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 in accordance 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, 2011, 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 implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Pat White Jr., Whitley County Judge/Executive  
Members of the Whitley County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) 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 GASB. 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.

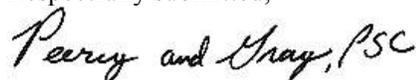
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitley County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements 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 October 5, 2011 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 accompanying comment and recommendation included herein, which discusses the following report comment:

**2011-1** The Jailer Should Strengthen Controls Over Jail Commissary Operations

Respectfully submitted,



Percy & Gray, PSC  
Certified Public Accountants

October 5, 2011

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Pat White, Jr.	County Judge/Executive
Roger Wells	Magistrate
David Myers	Magistrate
Jamie Fuson	Magistrate (January 1, 2011 thru Present)
Robert Brown	Magistrate (January 1, 2011 thru Present)
Joe Moses	Magistrate (thru December 31, 2010)
Mike Baird	Magistrate (thru December 31, 2010)

**Other Elected Officials:**

Paul Winchester, Jr.	County Attorney
Ken Mobley	Jailer
Kay Schwartz	County Clerk
Gary Barton	Circuit Court Clerk
Colan Harrell	Sheriff
Ronnie Moses	Property Valuation Administrator
Andy J. Croley	Coroner

**Appointed Personnel:**

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

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

**June 30, 2011**

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

**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,524,169	\$ 47,965	\$ 4,572,134
Total Current Assets	<u>4,524,169</u>	<u>47,965</u>	<u>4,572,134</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	14,869,328		14,869,328
Land and Land Improvements	697,125		697,125
Buildings	6,641,320		6,641,320
Other Equipment	985,915		985,915
Vehicles and Equipment	880,225	12,896	893,121
Infrastructure	4,679,979		4,679,979
Total Noncurrent Assets	<u>28,753,892</u>	<u>12,896</u>	<u>28,766,788</u>
Total Assets	<u>33,278,061</u>	<u>60,861</u>	<u>33,338,922</u>
<b>LIABILITIES</b>			
Current Liabilities:			
General Obligation Bonds	165,000		165,000
Revenue Bonds	710,000		710,000
Financing Obligations	189,002		189,002
Total Current Liabilities	<u>1,064,002</u>		<u>1,064,002</u>
Noncurrent Liabilities:			
General Obligation Bonds	6,685,000		6,685,000
Revenue Bonds	15,700,000		15,700,000
Financing Obligations	751,098		751,098
Total Noncurrent Liabilities	<u>23,136,098</u>		<u>23,136,098</u>
Total Liabilities	<u>24,200,100</u>		<u>24,200,100</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	4,553,792	12,896	4,566,688
Restricted For:			
Protection to Persons & Property	4,920		4,920
General Health & Sanitation	14,213		14,213
Recreation & Culture	6,565		6,565
Debt Service	593,724		593,724
Capital Projects	2,661,430		2,661,430
Unrestricted	1,243,317	47,965	1,291,282
Total Net Assets	<u>\$ 9,077,961</u>	<u>\$ 60,861</u>	<u>\$ 9,138,822</u>

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, 2011**

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

**For The Year Ended June 30, 2011**

<b>Functions/Programs Reporting Entity</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 5,718,523	\$ 1,760,197	\$ 1,604,098	\$
Protection to Persons and Property	4,001,704	380,543	1,398,967	
General Health and Sanitation	343,035		90,674	
Social Services	19,750			
Recreation and Culture	109,977			
Roads	1,687,036			1,986,530
Debt Service	929,952			
	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	12,809,977	2,140,740	3,093,739	1,986,530
	<hr/>	<hr/>	<hr/>	<hr/>
Business-type Activities:				
Jail Canteen	49,072	41,941		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Business-type Activities	49,072	41,941		
	<hr/>	<hr/>	<hr/>	<hr/>
Total Primary Government	\$ 12,859,049	\$ 2,182,681	\$ 3,093,739	\$ 1,986,530

## Taxes:

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

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

**WHITLEY COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (2,354,228)	\$	\$ (2,354,228)
(2,222,194)		(2,222,194)
(252,361)		(252,361)
(19,750)		(19,750)
(109,977)		(109,977)
299,494		299,494
(929,952)		(929,952)
<u>(5,588,968)</u>		<u>(5,588,968)</u>
	(7,131)	(7,131)
	<u>(7,131)</u>	<u>(7,131)</u>
<u>(5,588,968)</u>	<u>(7,131)</u>	<u>(5,596,099)</u>
665,819		665,819
161,237		161,237
162,870		162,870
4,130,376		4,130,376
510,413		510,413
174,147		174,147
83,439		83,439
218,049		218,049
77,700		77,700
<u>6,184,050</u>		<u>6,184,050</u>
595,082	(7,131)	587,951
<u>8,482,879</u>	<u>67,992</u>	<u>8,550,871</u>
<u>\$ 9,077,961</u>	<u>\$ 60,861</u>	<u>\$ 9,138,822</u>

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

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

**June 30, 2011**

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

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Ambulance Fund</b>	<b>Detention Center Public Properties Corporation Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 882,316	\$ 126,761	\$ 88,448	\$ 105,723	\$ 550,083
Total Assets	<u>882,316</u>	<u>126,761</u>	<u>88,448</u>	<u>105,723</u>	<u>550,083</u>
<b>FUND BALANCES</b>					
Restricted For:					
Protection to Persons and Property					
General Health & Sanitation	14,213				
Recreation & Culture					
Debt Service Fund					550,083
Capital Projects					
Assigned To:					
Protection to Persons and Property			88,448	105,723	
Roads		126,761			
Unassigned	<u>868,103</u>				
Total Fund Balances	<u>\$ 882,316</u>	<u>\$ 126,761</u>	<u>\$ 88,448</u>	<u>\$ 105,723</u>	<u>\$ 550,083</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 4,524,169
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.	36,054,546
Accumulated Depreciation	(7,300,654)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(940,100)
Revenue Bond	(16,410,000)
General Obligation Bond	<u>(6,850,000)</u>
Net Assets Of Governmental Activities	<u>\$ 9,077,961</u>

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

WHITLEY COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
June 30, 2011  
(Continued)

Justice Center Public Properties Corporation Bond Fund	Justice Center Public Properties Corporation Construction Fund	Non- Major Funds	Total Governmental Funds
\$ 43,641	\$ 2,661,430	\$ 65,767	\$ 4,524,169
<u>43,641</u>	<u>2,661,430</u>	<u>65,767</u>	<u>4,524,169</u>
		4,920	4,920
			14,213
		6,565	6,565
43,641			593,724
	2,661,430		2,661,430
		39,127	233,298
		15,155	141,916
			868,103
<u>\$ 43,641</u>	<u>\$ 2,661,430</u>	<u>\$ 65,767</u>	<u>\$ 4,524,169</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, 2011**

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

**For The Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>
<b>REVENUES</b>				
Taxes	\$ 5,380,375	\$	\$	\$
In Lieu Tax Payments	52,858	121,289		
Excess Fees	83,439			
Licenses and Permits	20,966			
Intergovernmental	420,417	1,731,230	999,481	
Charges for Services			63,879	1,760,197
Miscellaneous	124,872	185	42,737	3,592
Interest	12,226	3,773	589	3,089
Total Revenues	<u>6,095,153</u>	<u>1,856,477</u>	<u>1,106,686</u>	<u>1,766,878</u>
<b>EXPENDITURES</b>				
General Government	2,070,973	5,226		
Protection to Persons and Property	274,318		1,667,252	1,367,711
General Health and Sanitation	341,250			
Social Services	19,750			
Recreation and Culture				
Roads		1,600,247		
Debt Service	151,660			
Capital Projects				
Administration	2,515,317	346,955	473,512	482,532
Total Expenditures	<u>5,373,268</u>	<u>1,952,428</u>	<u>2,140,764</u>	<u>1,850,243</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>721,885</u>	<u>(95,951)</u>	<u>(1,034,078)</u>	<u>(83,365)</u>
<b>Other Financing Sources (Uses)</b>				
Debt Issuance	425,100			
Transfers From Other Funds	9,658	166,700	1,513,305	133,000
Transfers To Other Funds	(1,364,655)	(166,377)	(486,934)	
Total Other Financing Sources (Uses)	<u>(929,897)</u>	<u>323</u>	<u>1,026,371</u>	<u>133,000</u>
Net Change in Fund Balances	(208,012)	(95,628)	(7,707)	49,635
Fund Balances - Beginning (Restated)	1,090,328	222,389	96,155	56,088
Fund Balances - Ending	<u>\$ 882,316</u>	<u>\$ 126,761</u>	<u>\$ 88,448</u>	<u>\$ 105,723</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, 2011  
 (Continued)

Detention Center Public Properties Corporation Fund	Justice Center Public Properties Corporation Bond Fund	Justice Center Public Properties Corporation Construction Fund	Non- Major Funds	Total Governmental Funds
	\$	\$	\$ 371,261	\$ 5,751,636
				174,147
				83,439
				20,966
	1,231,803		866,210	5,249,141
				1,824,076
26,550			22,859	220,795
1,497		57,838	1,847	80,859
<u>28,047</u>	<u>1,231,803</u>	<u>57,838</u>	<u>1,262,177</u>	<u>13,405,059</u>
			28,345	2,104,544
			655,360	3,964,641
				341,250
				19,750
			109,977	109,977
			110,612	1,710,859
513,489	1,229,803			1,894,952
		7,225,540		7,225,540
1,000	2,000		124,412	3,945,728
<u>514,489</u>	<u>1,231,803</u>	<u>7,225,540</u>	<u>1,028,706</u>	<u>21,317,241</u>
<u>(486,442)</u>		<u>(7,167,702)</u>	<u>233,471</u>	<u>(7,912,182)</u>
				425,100
486,934			228,877	2,538,474
		(9,658)	(510,850)	(2,538,474)
<u>486,934</u>		<u>(9,658)</u>	<u>(281,973)</u>	<u>425,100</u>
492		(7,177,360)	(48,502)	(7,487,082)
549,591	43,641	9,838,790	114,269	12,011,251
<u>\$ 550,083</u>	<u>\$ 43,641</u>	<u>\$ 2,661,430</u>	<u>\$ 65,767</u>	<u>\$ 4,524,169</u>

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

**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, 2011**

**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, 2011**

Net Change in Fund Balances - Total Governmental Funds	\$	(7,487,082)
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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 Asset Disposal (Net)		(4,563)
Capital Outlay		8,733,045
Depreciation Expense		(1,186,218)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Debt Issuance		(425,100)
Financing Obligations Principal Payments		115,000
Revenue Bond Principal Payments		695,000
General Obligation Bond Principal Payments		155,000
		155,000

Change in Net Assets of Governmental Activities	\$	595,082
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**WHITLEY COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**

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

**June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 47,965
Total Current Assets	47,965
Noncurrent Assets:	
Capital Assets:	
Equipment	26,319
Less Accumulated Depreciation	(13,423)
Total Noncurrent Assets	12,896
Total Assets	60,861
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	12,896
Unrestricted	47,965
Total Net Assets	\$ 60,861

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

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

**For The Year Ended June 30, 2011**

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

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 41,941
Total Operating Revenues	41,941
<b>Operating Expenses</b>	
Cost of Sales	13,639
Educational and Recreational	2,778
Refunds	17,659
Depreciation	2,238
Sales Tax	2,830
Miscellaneous	9,928
Total Operating Expenses	49,072
Operating Income (Loss)	(7,131)
Change In Net Assets	(7,131)
Total Net Assets - Beginning	67,992
Total Net Assets - Ending	\$ 60,861

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

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

**For The Year Ended June 30, 2011**

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

**For The Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Cash Received From Customers	\$ 41,941
Cash Payments To Suppliers	(34,076)
Cash Payments To State	(2,830)
Cash Payments To Other Sources	(9,928)
Net Cash Provided By Operating Activities	(4,893)
Net Increase in Cash and Cash Equivalents	(4,893)
Cash and Cash Equivalents - July 1, 2010	52,858
Cash and Cash Equivalents - June 30, 2011	\$ 47,965
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Loss	\$ (7,131)
Depreciation Expense	2,238
Net Cash Provided By Operating Activities	\$ (4,893)

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

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

**June 30, 2011**

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

**June 30, 2011**

	<u>Agency Funds</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 97,147</u>
Total Assets	<u><u>97,147</u></u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>97,147</u>
Total Liabilities	<u>\$ 97,147</u>
Total Net Assets	<u><u>\$ 0</u></u>

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

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TO THE FINANCIAL STATEMENTS**

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

**June 30, 2011**

**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 are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the 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. All other component units are discretely presented.

**Blended Component Units**

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

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

Whitley County Public Properties Corporation

The Whitley County Fiscal Court (Fiscal Court) established the Whitley County Public Properties Corporation (Corporation) for the purpose of financing detention center and justice center 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. Activity of the Corporation was previously reported in one fund but is now reported in two separate funds, the Justice Center PPC Bond Fund and Justice Center PPC Construction Fund,

**C. Whitley County Elected Officials**

Kentucky law provides for election of the officials below 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; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

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

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 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those 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) 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 major.

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**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. 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 Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government 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 Department for Local Government 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.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

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

**Governmental Funds (Continued)**

Detention Center Public Properties Corporation Fund - This 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 the Detention Center construction. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Justice Center Public Properties Corporation Construction Fund - This fund, a blended component unit of the County, is used to account for the resources received and used for the financing of the Justice Center construction. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Justice Center Public Properties Corporation Bond Fund - This 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 the Justice Center construction. The Department for Local Government 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, and the 911 Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, Federal Grant 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.

**Debt Service Fund:**

The Detention Center Public Properties Corporation Fund and the Justice Center Public Properties Corporation Bond Fund are presented as a debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Capital Projects Fund:**

The Justice Center Public Properties Corporation Construction Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**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.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

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

**Proprietary Funds (Continued)**

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations. The primary government reports the following major proprietary fund:

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

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds include: 1) the Jail Inmate Fund and 2) Occupational Tax Fund. The Jail Inmate Fund is used to account for inmate monies held by the Jailer for custodial purposes only. The Occupational Tax Fund is used to account for monies that the County has received for Occupational Taxes for other governments that have not been paid over as of June 30, 2011. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, 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.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

**F. Capital Assets (Continued)**

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 15,000	10-75
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 are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into nonspendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted – amounts constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.
- Committed – amounts constrained for a specific purpose by the county using its highest level of decision-making authority.
- Assigned – for all governmental funds, other than general fund, any remaining positive amounts not classified as non – spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specific purpose by the county or the delegated county committee or official given authority to assign amounts.
- Unassigned – for general fund, amounts not classified as non-spendable, restricted, committed, or assigned. For all other government funds, amount expended in excess of resources that are non-spendable, restricted, committed, or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

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

**H. Fund Equity (Continued)**

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the county to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted funds are exhausted then committed, assigned and unassigned resources are spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, 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. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with commitments and contingencies note disclosure, if applicable.

**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 Justice Center Public Properties Corporation Bond and Construction Funds and the Detention Center Public Properties Corporation Fund (blended component units) are not budgeted by the county treasurer. The Governor's Department for Local Government does not require the fiscal court to report or budget these funds.

**J. Related Organizations and Joint Venture**

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, 2011**  
**(Continued)**

**Note 2. 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. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Interfund Transfers In/Out**

	General Fund	Road Fund	Jail Fund	Non-Major Funds	Justice Center PPC Construction Fund	Total Transfers In
General Fund	\$	\$	\$	\$	\$ 9,658	9,658
Road Fund				166,700		166,700
Jail Fund	1,169,155			344,150		1,513,305
Ambulance	133,000					133,000
911 Fund	62,500	166,377				228,877
Detention Center PPC Fund			486,934			486,934
Total Transfers Out	<u>1,364,655</u>	<u>166,377</u>	<u>486,934</u>	<u>510,850</u>	<u>9,658</u>	<u>2,538,474</u>

Reasons for Transfers:

1. To move resources from the General Fund and other funds, for budgetary purposes, to the fund that will expend them.
2. To return unused resources, for budgetary purposes, to the General Fund.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Operating Leases**

**A. Office Space Rental**

The Whitley County Fiscal Court entered into two operating lease agreements with the Williamsburg-Whitley County Airport Board, Inc. The first lease is for the rent of the Whitley County EMS department at a rate of \$800 per month. The lease is for 20 years at which time a new lease can be negotiated. The second lease is for rent for the 911 department at a rate of \$1000 per month. The lease is for five years renegotiated at the end of the lease. Both agreements have an annual rent increase based upon the Consumer Price Index. The total expense related to these operating leases was \$21,600 for the fiscal year ended June 30, 2011. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ended June 30	EMS	911	Total
2012	\$ 12,000	\$ 9,600	\$ 21,600
2013	12,000	9,600	21,600
2014	12,000	9,600	21,600
2015	12,000	9,600	21,600
2016	12,000		12,000
2016-2021	60,000		60,000
2022-2026	60,000		60,000
2027-2030	48,000		48,000
	<u>\$ 228,000</u>	<u>\$ 38,400</u>	<u>\$ 266,400</u>

**B. Tower Space Rental**

The Whitley County Fiscal Court entered into a lease agreement with a land owner. The lease agreement is for property to construction, operation and maintenance of a radio transmission tower. The lease commenced on October 1, 2008 and will terminate on October 1, 2013 with an automatic extension of four (4) additional terms of five (5) years each (Renewal Term). The lease amount is \$7,200 per year to be paid in equal monthly installments of \$600. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ended June 30	Payment
2012	\$ 7,200
2013	7,200
2014	7,200
2015	7,200
2016	7,200
2016-2021	36,000
2022-2026	36,000
2027-2031	36,000
2032-2033	14,400
Totals	<u>\$ 158,400</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated: (Restated)				
Land and Land Improvements	\$ 317,125	\$ 380,000	\$	\$ 697,125
Construction In Progress	7,634,130	7,235,198		14,869,328
Total Capital Assets Not Being Depreciated	<u>7,951,255</u>	<u>7,615,198</u>		<u>15,566,453</u>
Capital Assets, Being Depreciated:				
Buildings	9,064,993			9,064,993
Other Equipment	1,225,764	249,259		1,475,023
Vehicles and Equipment	1,810,917	126,445	(30,419)	1,906,943
Infrastructure	7,298,991	742,143		8,041,134
Total Capital Assets Being Depreciated	<u>19,400,665</u>	<u>1,117,847</u>	<u>(30,419)</u>	<u>20,488,093</u>
Less Accumulated Depreciation For: (Restated)				
Buildings	(2,195,978)	(227,695)		(2,423,673)
Other Equipment	(366,564)	(122,544)		(489,108)
Vehicles and Equipment	(922,114)	(130,460)	25,856	(1,026,718)
Infrastructure	(2,655,636)	(705,519)		(3,361,155)
Total Accumulated Depreciation	<u>(6,140,292)</u>	<u>(1,186,218)</u>	<u>25,856</u>	<u>(7,300,654)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,260,373</u>	<u>(68,371)</u>	<u>(4,563)</u>	<u>13,187,439</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,211,628</u>	<u>\$ 7,546,827</u>	<u>\$ (4,563)</u>	<u>\$ 28,753,892</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 5. Capital Assets (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 26,319	\$	\$	\$ 26,319
Total Capital Assets Being Depreciated	26,319			26,319
Less Accumulated Depreciation For:				
Vehicles and Equipment	(11,185)	(2,238)		(13,423)
Total Accumulated Depreciation	(11,185)	(2,238)		(13,423)
Total Capital Assets, Being Depreciated, Net	15,134	(2,238)		12,896
Business-Type Activities Capital Assets, Net	<u>\$ 15,134</u>	<u>\$ (2,238)</u>	<u>\$</u>	<u>\$ 12,896</u>

Depreciation expense was charged to functions of the primary government and business-type activities as follows:

<u>Governmental Activities:</u>	
General Government	\$ 151,446
Protection to Persons and Property	286,322
General Health and Sanitation	1,785
Roads, Including Depreciation of General Infrastructure Assets	<u>746,665</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,186,218</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 2,238</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,238</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt**

**A. General Obligation Bonds, Series 2002**

On April 1, 2002, the county issued \$7,800,000 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 \$6,850,000 as of June 30, 2011, with principal paid annually on April 1. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 165,000	\$ 350,739
2013	175,000	342,489
2014	180,000	333,739
2015	190,000	324,739
2016	200,000	315,239
2017-2021	1,160,000	1,415,913
2022-2026	1,480,000	1,091,230
2027-2031	1,905,000	669,501
2032-2034	1,395,000	147,680
Totals	<u>\$ 6,850,000</u>	<u>\$ 4,991,269</u>

**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 \$95,000 as of June 30, 2011. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 95,000	\$ 4,655
Totals	<u>\$ 95,000</u>	<u>\$ 4,655</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**C. 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 \$420,000 as of June 30, 2011. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 30,000	\$ 18,600
2013	30,000	17,430
2014	30,000	16,260
2015	30,000	15,090
2016	30,000	13,800
2017-2021	185,000	46,291
2022-2023	85,000	6,175
Totals	<u>\$ 420,000</u>	<u>\$ 133,646</u>

**D. First Mortgage Revenue Bonds, Series 2010**

The Whitley County Public Properties Corporation (PPC), an agency and instrumentality of the Whitley County Fiscal Court, issued first mortgage revenue bonds, series 2010, for the purposes of construction of the Whitley County Judicial Center. On September 1, 2010, \$17,105,000 in bonds were issued at various interest rates ranging from 2% to 4%. Since these bonds were issued at a discount of \$98,878, net bond proceeds were \$17,006,122. The PPC has entered into an agreement to lease the Whitley County Judicial Center to the fiscal court for the amount of the bond payments. The fiscal court has a sublease with the Administrative Office of the Courts (AOC), Commonwealth of Kentucky, for approximately 100% of the Whitley County Judicial Center, whereby the AOC makes semi-annual payments directly to the paying agent to fund the debt service for the bond issue. Principal payments are due annually on September 1<sup>st</sup> and interest payments are due semiannually on March 1<sup>st</sup> and September 1<sup>st</sup>. As of June 30, 2010, the principal balance was \$16,410,000. Future debt service requirements are:

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. First Mortgage Revenue Bonds, Series 2010 (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 710,000	\$ 520,753
2013	725,000	506,403
2014	740,000	491,753
2015	755,000	475,859
2016	775,000	457,678
2017-2021	4,220,000	1,933,761
2022-2026	5,005,000	1,156,645
2027-2029	3,480,000	211,285
Totals	<u>\$ 16,410,000</u>	<u>\$ 5,754,137</u>

**E. Land Purchase**

On October 1, 2010, Whitley County entered into a \$327,000 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the acquisition of land. Terms of the agreement stipulate a ten-year repayment schedule, with variable quarterly interest payments and fixed annual principal payments in the amount of \$32,700. The principal balance was \$327,000 as of June 30, 2011. Future debt service requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 32,700	\$ 13,961
2013	32,700	12,421
2014	32,700	10,915
2015	32,700	9,410
2016	32,700	7,923
2016-2021	163,500	16,938
Totals	<u>\$ 327,000</u>	<u>\$ 71,568</u>

**F. Sheriff Vehicles**

On June 30, 2011, Whitley County entered into a \$98,100 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of sheriff vehicles. Terms of the agreement stipulate a repayment schedule in which the final payment is due on December 20, 2013, with variable monthly interest payments and variable annual principal payments due on December 20<sup>th</sup> of each year. The principal balance was \$98,100 as of June 30, 2011. Future debt service requirements are:

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**F. Sheriff Vehicles (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 31,302	\$ 3,640
2013	32,680	2,220
2014	34,118	751
Totals	<u>\$ 98,100</u>	<u>\$ 6,611</u>

**G. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,005,000	\$	\$ 155,000	\$ 6,850,000	\$ 165,000
Revenue Bonds	17,105,000		695,000	16,410,000	710,000
Financing Obligations	630,000	425,100	115,000	940,100	189,002
Governmental Activities					
Long-term Liabilities	<u>\$ 24,740,000</u>	<u>\$ 425,100</u>	<u>\$ 965,000</u>	<u>\$ 24,200,100</u>	<u>\$ 1,064,002</u>

**Note 7. Interest On Long Term Debt**

Debt Service on the Statement of Activities includes \$36,660 in interest on financing obligations, \$534,803 on revenue bonds, and \$358,489 in interest on general obligation bonds.

**Note 8. 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.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Employee Retirement System (Continued)**

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$250,286, FY 2010 was \$389,438, and FY 2011 was \$393,224.

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.

CERS also provides postretirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% Paid By Insurance Fund</u>	<u>% Paid by Member Through Payroll Deduction</u>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

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 9. 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.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 9. Deferred Compensation (Continued)**

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 Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 10. Insurance**

For the fiscal year ended June 30, 2011, Whitley County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 11. Prior Period Adjustments**

In the prior year the net asset ending balance is \$8,666,855. This beginning balance has been restated due the Detention Center Public Properties Corporation Fund balance being shown at market rather than cost. The result of adjusting to cost as required by the method of accounting presented was a decrease of \$489. In addition, the prior year did not allow for outstanding withdrawals associated with the Justice Center Public Properties Corporation Construction Fund and resulted in a decrease in fund balance in the amount of \$893,592. The change in fund balance in the Justice Center as well as some fixed assets that should have been removed in prior year resulted in an increase in fixed assets of \$710,105. The restated ending balance for Fiscal Year 2010 is \$8,482,879.

Beginning Balance	\$ 8,666,855
Restatement of Detention Center PPC	(489)
Restatement of Justice Center PPC	(893,592)
Restatement of Fixed Assets	<u>710,105</u>
Beginning Balance (Restated)	<u><u>8,482,879</u></u>

The restatement noted above for the Detention Center PPC and the Justice Center PPC also changed the corresponding fund balances for each fund.

**Note 12. Change in Accounting Principles**

The Whitley County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet – Governmental Funds. Additionally, the Occupational Tax Fund previously reported separately no longer meets the definition of a special revenue fund and has been included in the General Fund. The result is an increase to beginning fund balance of the General Fund of \$130,110. This change, however, has no effect on the total fund balance for all funds.

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

**For The Year Ended June 30, 2011**

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

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,284,035	\$ 1,294,497	\$ 1,249,999	\$ (44,498)
In Lieu Tax Payments	50,000	52,699	52,858	159
Excess Fees	103,276	166,549	83,439	(83,110)
Licenses and Permits	17,225	21,085	20,966	(119)
Intergovernmental Revenue	212,147	366,070	331,100	(34,970)
Miscellaneous	13,100	118,351	124,872	6,521
Interest	25,000	25,000	7,314	(17,686)
Total Revenues	<u>1,704,783</u>	<u>2,044,251</u>	<u>1,870,548</u>	<u>(173,703)</u>
<b>EXPENDITURES</b>				
General Government	1,801,845	1,932,269	1,834,402	97,867
Protection to Persons and Property	324,225	322,151	274,318	47,833
General Health and Sanitation	504,995	541,082	341,250	199,832
Social Services	26,000	26,000	19,750	6,250
Debt Service	44,500	52,685	52,685	
Administration	629,968	625,774	479,922	145,852
Total Expenditures	<u>3,331,533</u>	<u>3,499,961</u>	<u>3,002,327</u>	<u>497,634</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,626,750)</u>	<u>(1,455,710)</u>	<u>(1,131,779)</u>	<u>323,931</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	340,000	340,000	327,000	(13,000)
Transfers From Other Funds	1,876,050	2,002,030	2,001,980	(50)
Transfers To Other Funds	<u>(1,809,300)</u>	<u>(1,846,538)</u>	<u>(1,364,655)</u>	<u>481,883</u>
Total Other Financing Sources (Uses)	<u>406,750</u>	<u>495,492</u>	<u>964,325</u>	<u>468,833</u>
Net Changes in Fund Balance	(1,220,000)	(960,218)	(167,454)	792,764
Fund Balance - Beginning	<u>1,220,000</u>	<u>960,218</u>	<u>960,218</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 792,764</u>	<u>\$ 792,764</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 152,000	\$ 152,000	\$ 121,289	\$ (30,711)
Intergovernmental Revenue	1,464,348	1,768,624	1,731,230	(37,394)
Miscellaneous	1,100	1,100	185	(915)
Interest	9,000	9,000	3,773	(5,227)
Total Revenues	<u>1,626,448</u>	<u>1,930,724</u>	<u>1,856,477</u>	<u>(74,247)</u>
<b>EXPENDITURES</b>				
General Government	3,000	5,230	5,226	4
Roads	1,847,494	2,038,330	1,600,247	438,083
Administration	440,954	412,054	346,955	65,099
Total Expenditures	<u>2,291,448</u>	<u>2,455,614</u>	<u>1,952,428</u>	<u>503,186</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(665,000)</u>	<u>(524,890)</u>	<u>(95,951)</u>	<u>428,939</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	440,000	469,200	166,700	(302,500)
Transfers To Other Funds		(166,700)	(166,377)	323
Total Other Financing Sources (Uses)	<u>440,000</u>	<u>302,500</u>	<u>323</u>	<u>(302,177)</u>
Net Changes in Fund Balance	(225,000)	(222,390)	(95,628)	126,762
Fund Balance - Beginning	<u>225,000</u>	<u>222,390</u>	<u>222,389</u>	<u>(1)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 126,761</u>	<u>\$ 126,761</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,424,000	\$ 1,163,108	\$ 999,481	\$ (163,627)
Charges for Services	56,300	60,985	63,879	2,894
Miscellaneous	39,100	42,802	42,737	(65)
Interest	1,000	1,000	589	(411)
Total Revenues	<u>1,520,400</u>	<u>1,267,895</u>	<u>1,106,686</u>	<u>(161,209)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,731,127	1,811,196	1,667,252	143,944
Debt Service	486,940	486,940	486,934	6
Administration	610,500	634,219	473,512	160,707
Total Expenditures	<u>2,828,567</u>	<u>2,932,355</u>	<u>2,627,698</u>	<u>304,657</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,308,167)</u>	<u>(1,664,460)</u>	<u>(1,521,012)</u>	<u>143,448</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,273,167	1,567,905	1,513,305	(54,600)
Total Other Financing Sources (Uses)	<u>1,273,167</u>	<u>1,567,905</u>	<u>1,513,305</u>	<u>(54,600)</u>
Net Changes in Fund Balance	(35,000)	(96,555)	(7,707)	88,848
Fund Balance - Beginning	35,000	96,555	96,155	(400)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,448</u>	<u>\$ 88,448</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 10,170	\$ 10,170	\$	\$ (10,170)
Charges for Services	1,575,000	1,575,000	1,760,197	185,197
Miscellaneous	2,000	3,925	3,592	(333)
Interest	3,200	3,200	3,089	(111)
Total Revenues	<u>1,590,370</u>	<u>1,592,295</u>	<u>1,766,878</u>	<u>174,583</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,386,320	1,402,933	1,367,711	35,222
Administration	626,433	502,833	482,532	20,301
Total Expenditures	<u>2,012,753</u>	<u>1,905,766</u>	<u>1,850,243</u>	<u>55,523</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(422,383)</u>	<u>(313,471)</u>	<u>(83,365)</u>	<u>230,106</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	347,383	257,383	133,000	(124,383)
Total Other Financing Sources (Uses)	<u>347,383</u>	<u>257,383</u>	<u>133,000</u>	<u>(124,383)</u>
Net Changes in Fund Balances	(75,000)	(56,088)	49,635	105,723
Fund Balances - Beginning	75,000	56,088	56,088	(0)
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 105,723</u>	<u>\$ 105,723</u>

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

**June 30, 2011**

**Note 1. 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.

**Note 2. Reconciliation of Required Supplementary Information to the Statement of Revenues, Expenditures, and Changes in Fund Balances**

Following is a summary of adjustments that convert the cash basis budgetary schedules to the modified cash basis of accounting used in the Statement of Revenues, Expenditures, and Changes in Fund Balances:

**General Fund**

Total Revenues - Budgetary Basis	\$ 1,870,548
To Reclass Transfer From Public Properties	(9,658)
To Adjust For Occupational Tax Fiduciary	(67,457)
To Adjust For Debt Paid By Others	98,975
To Adjust For Occupational Tax	<u>4,202,745</u>
Total Revenues - Modified Cash Basis	<u>\$ 6,095,153</u>
Total Expenditures - Budgetary Basis	\$ 3,002,327
To Adjust For Purchase of Sheriff Cars	98,100
To Adjust For Debt Paid By Others	98,975
To Adjust For Occupational Tax	<u>2,173,866</u>
Total Expenditures - Modified Cash Basis	<u>\$ 5,373,268</u>
Total Other Financing Sources (Uses) - Budgetary Basis	\$ 964,325
To Adjust For Purchase of Sheriff Cars	98,100
To Reclass Transfer From Public Properties	9,658
To Adjust For Occupational Tax	<u>(2,001,980)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u>\$ (929,897)</u>
Total Beginning Fund Balance - Budgetary Basis	\$ 960,218
To Adjust For Occupational Tax	<u>130,110</u>
Total Beginning Fund Balance - Modified Cash Basis	<u>\$ 1,090,328</u>
Total Ending Fund Balance - Budgetary Basis	\$ 792,764
To Adjust For Occupational Tax	157,009
To Adjust For Occupational Tax Fiduciary	<u>(67,457)</u>
Total Ending Fund Balance - Modified Cash Basis	<u>\$ 882,316</u>

**WHITLEY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2011**  
**(Continued)**

**Note 2. Reconciliation of Required Supplementary Information to the Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)**

**Jail Fund**

Total Expenditures - Budgetary Basis	\$ 2,627,698
Transfer out to Public Properties	<u>(486,934)</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 2,140,764</u></u>
Total Other Financing Sources (Uses) - Budgetary Basis	\$ 1,513,305
Transfer out to Public Properties	<u>(486,934)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 1,026,371</u></u>

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

**June 30, 2011**

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

**June 30, 2011**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Forestry Fund</b>	<b>Tourist Tax Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 15,155	\$ 40	\$ 4,920	\$ 6,565	\$ 39,087	\$ 65,767
Total Assets	<u>15,155</u>	<u>40</u>	<u>4,920</u>	<u>6,565</u>	<u>39,087</u>	<u>65,767</u>
<b>FUND BALANCES</b>						
Restricted For:						
Protection to Persons and Property Recreation & Culture			4,920	6,565		4,920 6,565
Assigned To:						
Protection to Persons and Property Roads	15,155	40			39,087	39,127 15,155
Total Fund Balances	<u>\$ 15,155</u>	<u>\$ 40</u>	<u>\$ 4,920</u>	<u>\$ 6,565</u>	<u>\$ 39,087</u>	<u>\$ 65,767</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 Supplementary Information**

**For The Year Ended June 30, 2011**

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

**For The Year Ended June 30, 2011**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Forestry Fund</b>	<b>Tourist Tax Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$ 3,234	\$ 49,218
Intergovernmental	491,070	2,490		
Miscellaneous	21,839			
Interest	993		70	76
Total Revenues	<u>513,902</u>	<u>2,490</u>	<u>3,304</u>	<u>49,294</u>
<b>EXPENDITURES</b>				
General Government	28,345			
Protection to Persons and Property			3,481	
Recreation and Culture	60,000			49,977
Roads	110,612			
Administration		2,500		
Total Expenditures	<u>198,957</u>	<u>2,500</u>	<u>3,481</u>	<u>49,977</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>314,945</u>	<u>(10)</u>	<u>(177)</u>	<u>(683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds				
Transfers To Other Funds	(344,150)			
Total Other Financing Sources (Uses)	<u>(344,150)</u>			
Net Change in Fund Balances	(29,205)	(10)	(177)	(683)
Fund Balances - Beginning (Restated)	44,360	50	5,097	7,248
Fund Balances - Ending	<u>\$ 15,155</u>	<u>\$ 40</u>	<u>\$ 4,920</u>	<u>\$ 6,565</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 Supplementary Information  
 For The Year Ended June 30, 2011  
 (Continued)

<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 318,809	\$ 371,261
372,650	866,210
1,020	22,859
708	1,847
<u>693,187</u>	<u>1,262,177</u>
	28,345
651,879	655,360
	109,977
	110,612
<u>121,912</u>	<u>124,412</u>
<u>773,791</u>	<u>1,028,706</u>
<u>(80,604)</u>	<u>233,471</u>
228,877	228,877
<u>(166,700)</u>	<u>(510,850)</u>
<u>62,177</u>	<u>(281,973)</u>
(18,427)	(48,502)
57,514	114,269
<u>\$ 39,087</u>	<u>\$ 65,767</u>

**WHITLEY COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

**WHITLEY COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<u><b>Jail Inmate Fund</b></u>	<u><b>Occupational Tax Fund</b></u>	<u><b>Total Agency Funds</b></u>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	<u>\$ 29,690</u>	<u>\$ 67,457</u>	<u>\$ 97,147</u>
Total Assets	<u>29,690</u>	<u>67,457</u>	<u>97,147</u>
<b>Liabilities</b>			
Amounts Held In Custody For Others	<u>29,690</u>	<u>67,457</u>	<u>97,147</u>
Total Liabilities	<u>\$ 29,690</u>	<u>\$ 67,457</u>	<u>\$ 97,147</u>
Total Net Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>

**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**



## PEERCY AND GRAY, PSC

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

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, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 5, 2011. 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

Management of the Whitley County Fiscal Court is responsible for establishing and maintaining effective internal control over financing 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 opinions 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's 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*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 a 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. We consider the deficiency described as 2011-1 in the accompanying comment and recommendation to be a material weakness.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Whitley County's financial statements as of and for the year ended June 30, 2011, 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 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, 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,

A handwritten signature in cursive script that reads "Percy and Gray, PSC".

Percy & Gray, PSC  
Certified Public Accountants

October 5, 2011

**WHITLEY COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2011**

**WHITLEY COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2011**

INTERNAL CONTROL - MATERIAL WEAKNESS

2011-1 The Jailer Should Strengthen Controls Over Jail Commissary Operations

The Jailer's office lacks adequate segregation of duties over receipts and disbursements. The bookkeeper is primarily responsible for preparing deposits, daily checkout sheets, receipt and disbursement ledgers, writing and signing checks, performing monthly bank reconciliations, preparing monthly sales tax returns. There appears to be little or no oversight or independent review of the bookkeeper's responsibilities.

A proper segregation of duties over bookkeeping duties, such as preparation of daily deposits, daily checkout sheets, receipt and disbursement ledgers, check writing and signing, performance of check reconciliations and sales tax reports, and calculation of monthly commissary sales totals is essential for preventing misappropriation of assets and/or inaccurate financial reporting. Properly designed internal controls for monthly disbursements, inventory management, and sales tax return preparation also serve to prevent misappropriation of assets and/or inaccurate financial reporting. In addition, effective internal controls protect employees in the normal course of performing their daily responsibilities.

During our review the following deficiencies were noted:

- 1) Multiple checks only contained one signature or were signed by two people and one not being the Jailer.
- 2) Sales taxes were paid on several purchases that were made.
- 3) No evidence of review of bank reconciliations, bank statements, daily check out sheets, or invoices.
- 4) Collection procedures are not routinely performed on outstanding monies owed

We recommend that the Jailer properly design internal controls that would prevent misappropriation of assets and/or inaccurate financial reporting. Bookkeeping duties should be adequately segregated, and include reconciliation procedures that ensure monthly receipts and disbursements are accurate. If, due to a limited number of staff, this not feasible, a strong oversight over these areas should occur and involve an employee not currently performing any of those functions. Additionally, the Jailer could provide the necessary oversight needed and document this by initialing the appropriate source documents.

- 1) The Jailer, or his designee, could periodically compare daily bank deposit to the daily checkout sheet and receipt ledger.
- 2) The Jailer should require dual signatures on all checks, with one being the Jailer's.
- 3) The Jailer, or his designee, could compare bond fees and booking fees recorded on daily checkout sheets to the receipts ledger to computer generated reports and monthly disbursements to the fiscal court. Any variance should be reconciled and documented.
- 4) The Jailer, or his designee, could compare manual monthly commissary sales totals to the computer-generated sales reports and the monthly sales tax returns. Any variances should be reconciled.
- 5) The Jailer, or his designee, could compare daily receipts with funds being deposited for accuracy in funds as well as categories of cash/checks.
- 6) The Jailer, or his designee, could verify all receipts are being accounted for on the daily checkout sheet. Any variances should be reconciled.

**WHITLEY COUNTY  
COMMENT AND RECOMMENDATION  
Fiscal Year Ended June 30, 2011  
(Continued)**

2011-1 The Jailer Should Strengthen Controls Over Jail Commissary Operations (Continued)

- 7) The Jailer or his designee should routinely apply established collection procedures, or if ineffective, establish new procedures.

*County Judge/Executive's Response: None*

*County Jailer's Response: None*

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

**WHITLEY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE DEVELOPMENT PROGRAMS

WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

The Whitley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program and Development Programs was expended for the purposes intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
County Judge/Executive

  
\_\_\_\_\_  
County Treasurer