

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

**For The Fiscal Year Ended
June 30, 2013**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
WHITLEY COUNTY FISCAL COURT

June 30, 2013

The Auditor of Public Accounts has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Whitley County, Kentucky.

Financial Condition:

The Whitley County Fiscal Court had total receipts of \$15,570,362, total disbursements of \$15,644,900, and cash balances and cash equivalents of \$1,395,835, a decrease of 376,885 from the prior year.

Report Comment:

2013-01 The Jail Canteen Lacks Adequate Segregation Of Duties

Deposits:

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

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

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

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Whitley County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Whitley County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Whitley County, Kentucky as of June 30, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances and cash equivalents of Whitley County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 1 to the financial statement, in fiscal year 2013, the Whitley County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statement, the Whitley County Fiscal Court would have included some component entities under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However, under the regulatory basis they are no longer required components of the reporting entity. Our opinion is not modified with respect to this matter.

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Whitley County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014 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:

2013-01 The Jail Canteen Lacks Adequate Segregation Of Duties

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 14, 2014

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

Pat White, Jr.	County Judge/Executive
Roger Wells	Magistrate
David Myers	Magistrate
Jamie Fuson	Magistrate
Robbie Brown	Magistrate

Other Elected Officials:

Don Moses	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
Evelyn McCullah	Chief Financial Officer

**WHITLEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS**

For The Year Ended June 30, 2013

WHITLEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,266,211	\$ 104,202	\$
In Lieu Tax Payments	75,544		
Excess Fees	184,478		
Licenses and Permits	16,596		
Intergovernmental	578,856	2,270,555	1,495,491
Charges for Services			70,640
Miscellaneous	188,984	13,448	117,141
Interest	3,283	2,542	751
Total Receipts	<u>2,313,952</u>	<u>2,390,747</u>	<u>1,684,023</u>
DISBURSEMENTS			
General Government	1,877,954	7,412	
Protection to Persons and Property	125,057		1,983,951
General Health and Sanitation	338,324		
Social Services	8,500		
Recreation and Culture			
Roads		1,929,124	
Debt Service	53,836	23,782	
Capital Projects			
Administration	595,729	373,744	544,259
Total Disbursements	<u>2,999,400</u>	<u>2,334,062</u>	<u>2,528,210</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(685,448)</u>	<u>56,685</u>	<u>(844,187)</u>
Other Adjustments to Cash (Uses)			
Governmental Leasing Receipts			
Bond Proceeds			
Payment To Escrow Agent			
Underwriters Discount			
Transfers From Other Funds	2,412,550	435,000	1,253,810
Transfers To Other Funds	(1,558,510)	(400,000)	(490,940)
Total Other Adjustments to Cash (Uses)	<u>854,040</u>	<u>35,000</u>	<u>762,870</u>
Net Change in Cash Balances and Cash Equivalents	168,592	91,685	(81,317)
Cash Balances and Cash Equivalents - Beginning (Restated)	499,320	126,697	134,567
Cash Balances and Cash Equivalents - Ending	<u>\$ 667,912</u>	<u>\$ 218,382</u>	<u>\$ 53,250</u>

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

WHITLEY COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
 For The Year Ended June 30, 2013
 (Continued)

Budgeted Funds						
Local Government Economic Assistance Fund	Federal Grants Fund	Ambulance Fund	Forestry Fund	Occupational Tax Fund	Tourist Tax Fund	911 Fund
\$	\$	\$	\$ 3,327	\$ 4,268,180	\$ 54,122	\$ 273,723
637,603	258,750	10,714				176,503
		1,962,759				
		1,515		146		5
1,052		506	48	3,259	60	232
<u>638,655</u>	<u>258,750</u>	<u>1,975,494</u>	<u>3,375</u>	<u>4,271,585</u>	<u>54,182</u>	<u>450,463</u>
110,982				106,602		
		1,611,642	3,481			446,712
60,000					53,448	
106,728		18,493				
	258,750					
		582,953		2,120,745		136,255
<u>277,710</u>	<u>258,750</u>	<u>2,213,088</u>	<u>3,481</u>	<u>2,227,347</u>	<u>53,448</u>	<u>582,967</u>
360,945		(237,594)	(106)	2,044,238	734	(132,504)
		124,316				
		74,000				156,700
(361,000)				(2,012,550)		
<u>(361,000)</u>		<u>198,316</u>		<u>(2,012,550)</u>		<u>156,700</u>
(55)		(39,278)	(106)	31,688	734	24,196
28,946	50	136,385	5,112	104,551	7,742	18,832
<u>\$ 28,891</u>	<u>\$ 50</u>	<u>\$ 97,107</u>	<u>\$ 5,006</u>	<u>\$ 136,239</u>	<u>\$ 8,476</u>	<u>\$ 43,028</u>

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

WHITLEY COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
 For The Year Ended June 30, 2013
 (Continued)

Unbudgeted Funds				
Center Public Properties Corporation Fund	Justice Public Properties Corporation Bond Fund	Justice Public Properties Corporation Construction Fund	Jail Canteen Fund	Total Funds
\$	\$	\$	\$	\$ 5,969,765
				75,544
				184,478
				16,596
	1,233,403	44,500		6,706,375
				2,033,399
			223,219	544,458
26,281		1,605	128	39,747
<u>26,281</u>	<u>1,233,403</u>	<u>46,105</u>	<u>223,347</u>	<u>15,570,362</u>
				2,102,950
			227,130	4,397,973
				338,324
				8,500
				113,448
				2,035,852
517,489	1,231,403			1,845,003
		96,884		355,634
91,531	2,000			4,447,216
<u>609,020</u>	<u>1,233,403</u>	<u>96,884</u>	<u>227,130</u>	<u>15,644,900</u>
<u>(582,739)</u>		<u>(50,779)</u>	<u>(3,783)</u>	<u>(74,538)</u>
				124,316
7,160,000				7,160,000
(7,535,818)				(7,535,818)
(50,845)				(50,845)
490,940				4,823,000
				(4,823,000)
<u>64,277</u>				<u>(302,347)</u>
(518,462)		(50,779)	(3,783)	(376,885)
551,083	43,641	58,488	57,306	1,772,720
<u>\$ 32,621</u>	<u>\$ 43,641</u>	<u>\$ 7,709</u>	<u>\$ 53,523</u>	<u>\$ 1,395,835</u>

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

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TO THE FINANCIAL STATEMENT**

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WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Whitley County includes all budgeted and unbudgeted funds under the control of the Whitley County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

The Whitley County Tourism Commission would have been included in the reporting entity under accounting principles generally accepted in the United State of America (GAAP) as established by the Government Accounting Standards Board. However under the regulatory basis they are no longer are required components of the reporting entity.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally 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.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts 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 disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal 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 disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary source of receipts for this fund is grants from the federal government.

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

Forestry Fund - The primary purpose of this fund is to provide emergency fire protection to the forestry regions of the county. The primary source of receipts for this fund is local taxes collected by the Sheriff.

Occupational Tax Fund - The primary purpose of this fund is to account for occupational taxes collected by the county.

Tourist Tax Fund - The primary purpose of this fund is to account tourist taxes collected by the county.

911 Fund - The primary purpose of this fund is to account for the dispatch expense of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Detention Center Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of the Whitley County Detention Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Justice Center Public Properties Corporation Bond Fund - The purpose of this fund is to account for debt service requirements of the revenue bond issued for the Whitley County Justice Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Justice Center Public Properties Corporation Construction Fund - The primary purpose of this fund is to account for the proceeds of revenue bonds that were issued to fund construction of the Whitley County Justice Center. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Whitley County 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.

D. 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 disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

The State Local Finance Officer does not require the Detention Center Public Properties Corporation Fund, the Justice Center Public Properties Corporation Bond Fund, or the Justice Center Public Properties Corporation Construction Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

The State Local Finance Officer does not require the Whitley County Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

E. 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 statement of Whitley County, Kentucky.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Whitley County Elected Officials (Continued)

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

F. 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).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. 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 are considered joint ventures of the Whitley County Fiscal Court:

The Williamsburg/Whitley County Airport Board (with the City of Williamsburg)
Bell/Whitley County Community Action Group (with Bell County)

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(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, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Occupational Tax Fund	Total Transfers In
General Fund	\$	\$ 400,000	\$	\$	\$ 2,012,550	\$ 2,412,550
Road Fund	435,000					435,000
Jail Fund	892,810			361,000		1,253,810
Ambulance Fund	74,000					74,000
911 Fund	156,700					156,700
Detention Center Public Properties Corporation Fund			490,940			490,940
Total Transfers Out	<u>\$ 1,558,510</u>	<u>\$ 400,000</u>	<u>\$ 490,940</u>	<u>\$ 361,000</u>	<u>\$ 2,012,550</u>	<u>\$ 4,823,000</u>

Reason for transfers:

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(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 \$1,000 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, 2013. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ended June 30	EMS	911	Total
2014	\$ 12,000	\$ 9,600	\$ 21,600
2015	12,000	9,600	21,600
2016	12,000		12,000
2017	12,000		12,000
2018	12,000		12,000
2019-2023	60,000		60,000
2024-2028	60,000		60,000
2029-2030	24,000		24,000
	<u>\$ 204,000</u>	<u>\$ 19,200</u>	<u>\$ 223,200</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
2014	\$ 7,200
2015	7,200
2016	7,200
2017	7,200
2018	7,200
2019-2023	36,000
2024-2028	36,000
2029-2033	36,000
	<u>\$ 144,000</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt

A. General Obligation Bonds, Series 2013

On April 16, 2013, the county issued \$7,160,000 of General Obligation Bonds, Series 2013, with interest rates of 2.0% through 3.250% payable semiannually June 1 and December 1. These bonds were issued by Whitley County Kentucky for the purpose of refunding Whitley County Kentucky General Obligation Bonds (Detention Facilities Project), Series 2002, \$7,800,000, dated April 1, 2002, and refunding the \$605,000 City of Ewing, Kentucky Area Development Districts Financing Trust Lease Acquisition Program Revenue Bonds (Court Facilities Project), Fixed Rate Series 2000, dated July 3, 2003 and the underlying Lease; accrued interest, if any; and the Cost of Issuance. The outstanding principal balance of the bonds was \$7,160,000 as of June 30, 2013, with principal paid annually on June 1. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 325,000	\$ 206,958
2015	355,000	177,462
2016	360,000	170,363
2017	370,000	163,163
2018	375,000	155,762
2019-2023	2,005,000	655,000
2024-2028	2,035,000	399,637
2029-2031	<u>1,335,000</u>	<u>86,450</u>
Totals	<u>\$ 7,160,000</u>	<u>\$ 2,014,795</u>

B. 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 \$6,760,000 as of June 30, 2013, however, this debt will be repaid off with a portion of the proceeds from the April 16, 2013, Series 2013, \$7,160,000 of General Obligation Bonds which have been held in reserve for this purpose; therefore, this debt is considered to be satisfied in full with a zero balance at June 30, 2013.

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. This debt was paid off with a portion of the proceeds from the April 16, 2013, Series 2013, \$7,160,000 of General Obligation Bonds; therefore, there is a zero principal balance at June 30, 2013.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

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 was 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 1st and interest payments are due semiannually on March 1st and September 1st. As of June 30, 2013, the principal balance was \$14,975,000. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 740,000	\$ 493,753
2015	755,000	477,859
2016	775,000	459,678
2017	795,000	439,059
2018	815,000	415,902
2019-2023	4,505,000	1,662,312
2024-2028	5,385,000	784,319
2029-2029	1,205,000	26,100
Totals	<u>\$ 14,975,000</u>	<u>\$ 4,758,982</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 \$261,600 as of June 30, 2013. Future debt service requirements are:

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

E. Land Purchase (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 32,700	\$ 10,915
2015	32,700	9,410
2016	32,700	7,923
2017	32,700	6,398
2018	32,700	4,893
2019-2021	98,100	5,647
Totals	<u>\$ 261,600</u>	<u>\$ 45,186</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 20th of each year. The principal balance was \$34,118 as of June 30, 2013. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	<u>\$ 34,118</u>	<u>\$ 751</u>
Totals	<u>\$ 34,118</u>	<u>\$ 751</u>

G. Dump Truck

On July 18, 2012, Whitley County entered into a \$119,825 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of a dump truck. Terms of the agreement stipulate a repayment schedule in which the final payment is due on July 20, 2017, with variable monthly interest payments and variable annual principal payments due on the 20th of each month. The principal balance was \$99,020 as of June 30, 2013. Future debt service requirements are:

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

G. Dump Truck (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 23,354	\$ 2,492
2015	23,925	1,826
2016	24,511	1,143
2017	25,110	445
2018	2,120	5
Totals	<u>\$ 99,020</u>	<u>\$ 5,911</u>

H. Ambulance

On October 26, 2012, Whitley County entered into a \$124,316 financing obligation agreement with the Kentucky Association of Counties Leasing Trust for the purpose of financing the purchase of an ambulance. Terms of the agreement stipulate a repayment schedule in which the final payment is due on November 20, 2017, with variable monthly interest payments and variable annual principal payments due on the 20th of each month. The principal balance was \$108,101 as of June 30, 2013. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 28,808	\$ 2,659
2015	29,478	1,843
2016	23,195	1,058
2017	18,700	506
2018	7,920	55
Totals	<u>\$ 108,101</u>	<u>\$ 6,121</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Long-term Debt (Continued)

I. Changes In Long-Term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 6,685,000	\$ 7,160,000	\$ 6,685,000	\$ 7,160,000	\$ 325,000
Revenue Bonds	15,700,000		725,000	14,975,000	740,000
Financing Obligations	751,098	244,141	492,400	502,839	118,980
Total Long-term Debt	<u>\$ 23,136,098</u>	<u>\$ 7,404,141</u>	<u>\$ 7,902,400</u>	<u>\$ 22,637,839</u>	<u>\$ 1,183,980</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. 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 19.55 percent.

The county's contribution for FY 2011 was \$393,224, FY 2012 was \$499,103, and FY 2013 was \$532,811.

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 post retirement health care coverage as follows:

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

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 6. Employee Retirement System (Continued)

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 7. Deferred Compensation

The Whitley County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2013, 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 9. Change in Basis of Accounting

Whitley County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The accounting change had no effect on the beginning cash balances of the various county funds as presented.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 10. Related Party Transaction

The Whitley County Fiscal Court conducted business with the Circuit Clerk, who rents a building to the county for use of Emergency Management. The fiscal court paid the Circuit Clerk \$7,800 in rent during fiscal year ending June 30, 2013.

Note 11. Financial Statement Restatements

The Judicial Center Public Properties Corporation Construction Fund's beginning balance was restated from \$58,591 to \$58,488, which is a difference of \$103. This restatement was made in order to reflect an accurate beginning balance for the fund.

Note 12. Trust Funds

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

The fiscal court has the following trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2013 was \$24,889.

Occupational Tax Fund Escrow Account - This 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, 2013. The escrow activity is tracked in the fiscal court's Occupational Tax Fund budget. Escrow funds included in the Occupational Tax Fund balance as of June 30, 2013 totaled \$92,256.

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,244,542	\$ 1,316,544	\$ 1,266,211	\$ (50,333)
In Lieu Tax Payments	51,000	51,000	75,544	24,544
Excess Fees	61,492	186,807	184,478	(2,329)
Licenses and Permits	16,200	16,252	16,596	344
Intergovernmental	432,460	626,741	578,856	(47,885)
Miscellaneous	15,100	192,759	188,984	(3,775)
Interest	4,000	4,000	3,283	(717)
Total Receipts	<u>1,824,794</u>	<u>2,394,103</u>	<u>2,313,952</u>	<u>(80,151)</u>
DISBURSEMENTS				
General Government	1,789,708	2,103,679	1,877,954	225,725
Protection to Persons and Property	252,250	226,667	125,057	101,610
General Health and Sanitation	288,727	511,719	338,324	173,395
Social Services	8,000	9,000	8,500	500
Debt Service	92,552	92,552	53,836	38,716
Administration	706,124	640,331	595,729	44,602
Total Disbursements	<u>3,137,361</u>	<u>3,583,948</u>	<u>2,999,400</u>	<u>584,548</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,312,567)</u>	<u>(1,189,845)</u>	<u>(685,448)</u>	<u>504,397</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,577,900	2,064,900	2,412,550	347,650
Transfers To Other Funds	(1,815,333)	(1,374,375)	(1,558,510)	(184,135)
Total Other Adjustments to Cash (Uses)	<u>762,567</u>	<u>690,525</u>	<u>854,040</u>	<u>163,515</u>
Net Change in Cash Balances and Cash Equivalents	(550,000)	(499,320)	168,592	667,912
Cash Balances and Cash Equivalents - Beginning	<u>550,000</u>	<u>499,320</u>	<u>499,320</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 667,912</u>	<u>\$ 667,912</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
In Lieu Tax Payments	\$ 112,000	\$ 112,000	\$ 104,202	\$ (7,798)
Intergovernmental	2,043,313	2,475,545	2,270,555	(204,990)
Miscellaneous	1,100	12,192	13,448	1,256
Interest	3,100	3,100	2,542	(558)
Total Receipts	<u>2,159,513</u>	<u>2,602,837</u>	<u>2,390,747</u>	<u>(212,090)</u>
DISBURSEMENTS				
General Government	5,300	7,413	7,412	1
Roads	2,005,273	2,433,192	1,929,124	504,068
Debt Service	123,500	28,500	23,782	4,718
Administration	495,440	435,430	373,744	61,686
Total Disbursements	<u>2,629,513</u>	<u>2,904,535</u>	<u>2,334,062</u>	<u>570,473</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(470,000)</u>	<u>(301,698)</u>	<u>56,685</u>	<u>358,383</u>
Other Adjustments to Cash (Uses)				
Governmental Leasing Receipts	120,000			
Transfers From Other Funds	575,000	175,000	435,000	260,000
Transfers To Other Funds	(400,000)		(400,000)	(400,000)
Total Other Adjustments to Cash (Uses)	<u>295,000</u>	<u>175,000</u>	<u>35,000</u>	<u>(140,000)</u>
Net Change in Cash Balances and Cash Equivalents	(175,000)	(126,698)	91,685	218,383
Cash Balances and Cash Equivalents - Beginning	175,000	126,698	126,697	(1)
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 218,382</u>	<u>\$ 218,382</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,240,200	\$ 1,417,486	\$ 1,495,491	\$ 78,005
Charges for Services	55,600	77,619	70,640	(6,979)
Miscellaneous	56,000	129,302	117,141	(12,161)
Interest	600	724	751	27
Total Receipts	<u>1,352,400</u>	<u>1,625,131</u>	<u>1,684,023</u>	<u>58,892</u>
DISBURSEMENTS				
Protection to Persons and Property	1,715,443	2,007,748	1,983,951	23,797
Debt Service	490,940	490,940		490,940
Administration	605,050	717,084	544,259	172,825
Total Disbursements	<u>2,811,433</u>	<u>3,215,772</u>	<u>2,528,210</u>	<u>687,562</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,459,033)</u>	<u>(1,590,641)</u>	<u>(844,187)</u>	<u>746,454</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,384,033	1,456,075	1,253,810	(202,265)
Transfers To Other Funds			(490,940)	(490,940)
Total Other Adjustments to Cash (Uses)	<u>1,384,033</u>	<u>1,456,075</u>	<u>762,870</u>	<u>(693,205)</u>
Net Change in Cash Balances and Cash Equivalents	(75,000)	(134,566)	(81,317)	53,249
Cash Balances and Cash Equivalents - Beginning	<u>75,000</u>	<u>134,566</u>	<u>134,567</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53,250</u>	<u>\$ 53,250</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 740,100	\$ 754,662	\$ 637,603	\$ (117,059)
Interest	1,100	1,100	1,052	(48)
Total Receipts	<u>741,200</u>	<u>755,762</u>	<u>638,655</u>	<u>(117,107)</u>
DISBURSEMENTS				
General Government	125,000	139,693	110,982	28,711
Recreation and Culture	60,000	60,000	60,000	
Roads	127,500	127,500	106,728	20,772
Administration	2,000	5,815		5,815
Total Disbursements	<u>314,500</u>	<u>333,008</u>	<u>277,710</u>	<u>55,298</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>426,700</u>	<u>422,754</u>	<u>360,945</u>	<u>(61,809)</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(451,700)</u>	<u>(451,700)</u>	<u>(361,000)</u>	<u>90,700</u>
Total Other Adjustments to Cash (Uses)	<u>(451,700)</u>	<u>(451,700)</u>	<u>(361,000)</u>	<u>90,700</u>
Net Change in Cash Balances and Cash Equivalents	(25,000)	(28,946)	(55)	28,891
Cash Balances and Cash Equivalents - Beginning	<u>25,000</u>	<u>28,946</u>	<u>28,946</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,891</u>	<u>\$ 28,891</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

FEDERAL GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental Revenue	\$ 478,836	\$ 478,836	\$ 258,750	\$ (220,086)
Total Receipts	<u>478,836</u>	<u>478,836</u>	<u>258,750</u>	<u>(220,086)</u>
DISBURSEMENTS				
Capital Projects	<u>478,836</u>	<u>478,836</u>	<u>258,750</u>	<u>220,086</u>
Total Disbursements	<u>478,836</u>	<u>478,836</u>	<u>258,750</u>	<u>220,086</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(50)</u>	<u>(50)</u>		<u>50</u>
Total Other Adjustments to Cash (Uses)	<u>(50)</u>	<u>(50)</u>		<u>50</u>
Net Change in Cash Balances and Cash Equivalents	(50)	(50)		50
Cash Balances and Cash Equivalents - Beginning	<u>50</u>	<u>50</u>	<u>50</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50</u>	<u>\$ 50</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 10,170	\$ 10,170	\$ 10,714	\$ 544
Charges for Services	1,985,000	1,985,000	1,962,759	(22,241)
Miscellaneous	1,100	2,196	1,515	(681)
Interest	500	500	506	6
Total Receipts	<u>1,996,770</u>	<u>1,997,866</u>	<u>1,975,494</u>	<u>(22,372)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,553,645	1,675,327	1,611,642	63,685
Debt Service	15,400	24,914	18,493	6,421
Administration	667,725	638,327	582,953	55,374
Total Disbursements	<u>2,236,770</u>	<u>2,338,568</u>	<u>2,213,088</u>	<u>125,480</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(240,000)</u>	<u>(340,702)</u>	<u>(237,594)</u>	<u>103,108</u>
Other Adjustments to Cash (Uses)				
Governmental Leasing Receipts	90,000	124,316	124,316	
Transfers From Other Funds	80,000	80,000	74,000	(6,000)
Total Other Adjustments to Cash (Uses)	<u>170,000</u>	<u>204,316</u>	<u>198,316</u>	<u>(6,000)</u>
Net Change in Cash Balances and Cash Equivalents	(70,000)	(136,386)	(39,278)	97,108
Cash Balances and Cash Equivalents - Beginning	70,000	136,386	136,385	(1)
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 97,107</u>	<u>\$ 97,107</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	FORESTRY FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,300	\$ 4,300	\$ 3,327	\$ (973)
Miscellaneous	100	100		(100)
Interest	60	60	48	(12)
Total Receipts	<u>4,460</u>	<u>4,460</u>	<u>3,375</u>	<u>(1,085)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,300	4,300	3,481	819
Administration	4,960	5,271		5,271
Total Disbursements	<u>9,260</u>	<u>9,571</u>	<u>3,481</u>	<u>6,090</u>
Net Change in Cash Balances and Cash Equivalents	(4,800)	(5,111)	(106)	5,005
Cash Balances and Cash Equivalents - Beginning	<u>4,800</u>	<u>5,111</u>	<u>5,112</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,006</u>	<u>\$ 5,006</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,220,000	\$ 4,220,000	\$ 4,268,180	\$ 48,180
Miscellaneous			146	146
Interest	4,000	4,000	3,259	(741)
Total Receipts	<u>4,224,000</u>	<u>4,224,000</u>	<u>4,271,585</u>	<u>47,585</u>
DISBURSEMENTS				
General Government	118,950	123,989	106,602	17,387
Administration	2,115,200	2,139,712	2,120,745	18,967
Total Disbursements	<u>2,234,150</u>	<u>2,263,701</u>	<u>2,227,347</u>	<u>36,354</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,989,850</u>	<u>1,960,299</u>	<u>2,044,238</u>	<u>83,939</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(2,064,850)</u>	<u>(2,064,850)</u>	<u>(2,012,550)</u>	<u>52,300</u>
Total Other Adjustments to Cash (Uses)	<u>(2,064,850)</u>	<u>(2,064,850)</u>	<u>(2,012,550)</u>	<u>52,300</u>
Net Change in Cash Balances and Cash Equivalents	(75,000)	(104,551)	31,688	136,239
Cash Balances and Cash Equivalents - Beginning	<u>75,000</u>	<u>104,551</u>	<u>104,551</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 136,239</u>	<u>\$ 136,239</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

TOURIST TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 51,000	\$ 51,000	\$ 54,122	\$ 3,122
Interest	100	100	60	(40)
Total Receipts	<u>51,100</u>	<u>51,100</u>	<u>54,182</u>	<u>3,082</u>
DISBURSEMENTS				
Recreation and Culture	<u>51,000</u>	<u>56,041</u>	<u>53,448</u>	<u>2,593</u>
Total Disbursements	<u>51,000</u>	<u>56,041</u>	<u>53,448</u>	<u>2,593</u>
Net Change in Cash Balances and Cash Equivalents	100	(4,941)	734	5,675
Cash Balances and Cash Equivalents - Beginning	<u>2,700</u>	<u>7,741</u>	<u>7,742</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 2,800</u>	<u>\$ 2,800</u>	<u>\$ 8,476</u>	<u>\$ 5,676</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 290,000	\$ 290,000	\$ 273,723	\$ (16,277)
Intergovernmental	193,000	193,000	176,503	(16,497)
Miscellaneous	1,000	1,000	5	(995)
Interest	500	500	232	(268)
Total Receipts	<u>484,500</u>	<u>484,500</u>	<u>450,463</u>	<u>(34,037)</u>
DISBURSEMENTS				
Protection to Persons and Property	459,900	470,303	446,712	23,591
Administration	159,600	148,030	136,255	11,775
Total Disbursements	<u>619,500</u>	<u>618,333</u>	<u>582,967</u>	<u>35,366</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(135,000)</u>	<u>(133,833)</u>	<u>(132,504)</u>	<u>1,329</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	115,000	115,000	156,700	41,700
Total Other Adjustments to Cash (Uses)	<u>115,000</u>	<u>115,000</u>	<u>156,700</u>	<u>41,700</u>
Net Change in Cash Balances and Cash Equivalents	(20,000)	(18,833)	24,196	43,029
Cash Balances and Cash Equivalents - Beginning	<u>20,000</u>	<u>18,833</u>	<u>18,832</u>	<u>(1)</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,028</u>	<u>\$ 43,028</u>

WHITLEY COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

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 disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

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WHITLEY COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

WHITLEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 697,125	\$	\$	\$ 697,125
Buildings	26,839,930			26,839,930
Vehicles and Equipment	2,071,439	203,541		2,274,980
Other Equipment	1,604,142	40,693		1,644,835
Infrastructure	8,949,457	683,671		9,633,128
Total Capital Assets	<u>\$ 40,162,093</u>	<u>\$ 927,905</u>	<u>\$</u>	<u>\$41,089,998</u>

WHITLEY COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. 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 as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

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



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

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 The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of the Whitley County Fiscal Court for the fiscal year ended June 30, 2013, and the related notes to the financial statement and have issued our report thereon dated March 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Whitley County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Whitley County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Whitley County Fiscal Court's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control 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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2013-01 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of 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 Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 14, 2014

**WHITLEY COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2013

WHITLEY COUNTY
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2013

INTERNAL CONTROL - MATERIAL WEAKNESS

2013-01 The Jail Canteen Lacks Adequate Segregation Of Duties

The Jailer's office lacks adequate segregation of duties over the jail canteen accounting functions for 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, and preparing monthly sales tax returns. In addition, she does collect money and issue receipts. Although there is some documented internal controls there are still areas of concern: for example the bank reconciliations prepared and reviewed was not properly balanced.

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 canteen 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.

We recommend the Jailer separate the duties in collecting, preparing and depositing receipts, recording transactions, preparing checks, and reconciling bank accounts. If these duties cannot be segregated due to a limited number of staff or budget, strong oversight should be provided over the employee(s) responsible for these duties. Any compensating controls performed should be documented with date and initials.

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 the inmate canteen order to the computer generated report for accuracy.
- 2) The Jailer, or his designee, could compare the actual receipts to the Inmate Fee Collection report to ensure accuracy of fees received/recorded. Any variance should be reconciled and documented
- 3) The Jailer, or his designee, could verify all receipts are being accounted for on the daily checkout sheet by tracing all receipts to the daily checkout sheet and maintaining a log of all receipts issued. Any variances should be reconciled.

County Judge/Executive's Response: The official did not respond.

County Jailer's Response: The official did not respond.

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

WHITLEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2013**

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

For The Fiscal Year Ended June 30, 2013

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



County Judge/Executive



County Treasurer

