

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

**For The Fiscal Year Ended  
June 30, 2014**



**PEERCY AND GRAY, PSC**

**Certified Public Accountants**

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

**June 30, 2014**

Peercy & Gray, PSC has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2014.

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

**Financial Condition:**

The Whitley County Fiscal Court had total receipts of \$14,770,584, total disbursements of \$15,026,016 in fiscal year 2014. This resulted in a total ending fund balance of \$1,141,726, which is a decrease of \$255,432 from the prior year.

**Report Comment:**

2014-01 The Jail Commissary Lacks Adequate Segregation Of Duties

**Deposits:**

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

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To the People of Kentucky

Honorable Matthew G. Bevin, Governor

William M. Landrum III, 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 Fund Balances - Regulatory Basis of Whitley County, Kentucky, for the year ended June 30, 2014, 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.

To the People of Kentucky  
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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, 2014, 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 Fund Balances of Whitley County, Kentucky as of June 30, 2014, 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.

### **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, however they are required to be presented 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. 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 and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum, Secretary  
Finance and Administration Cabinet  
Honorable Pat White Jr., Whitley County Judge/Executive  
Members of the Whitley County Fiscal Court

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2015 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:

2014-01 The Jail Commissary Lacks Adequate Segregation Of Duties

Respectfully submitted,



Percy & Gray, PSC  
Certified Public Accountants

August 14, 2015

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

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

**Other Elected Officials:**

Robert Hammons	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 FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

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

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,308,914	\$ 101,504	\$
In Lieu Tax Payments	84,901		
Excess Fees	87,162		
Licenses and Permits	16,520		
Intergovernmental	343,984	2,520,397	1,212,809
Charges for Services			152,929
Miscellaneous	47,216	9,583	60,525
Interest	2,991	831	503
Total Receipts	<u>1,891,688</u>	<u>2,632,315</u>	<u>1,426,766</u>
<b>DISBURSEMENTS</b>			
General Government	1,759,154	3,997	
Protection to Persons and Property	143,530		1,830,799
General Health and Sanitation	365,803		
Social Services	4,000		
Recreation and Culture			
Roads		2,117,439	
Debt Service	43,615	25,846	
Capital Projects			
Administration	628,877	431,309	561,854
Total Disbursements	<u>2,944,979</u>	<u>2,578,591</u>	<u>2,392,653</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,053,291)</u>	<u>53,724</u>	<u>(965,887)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	2,273,300	150,000	1,314,518
Transfers To Other Funds	(1,519,105)	(150,000)	(392,958)
Total Other Adjustments to Cash (Uses)	<u>754,195</u>	<u></u>	<u>921,560</u>
Net Change in Fund Balance	(299,096)	53,724	(44,327)
Fund Balance - Beginning (Restated)	668,226	218,382	53,250
Fund Balance - Ending	<u>\$ 369,130</u>	<u>\$ 272,106</u>	<u>\$ 8,923</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 371,370	\$ 272,276	\$ 9,723
Less: Outstanding Checks	(2,240)	(170)	(800)
Fund Balance - Ending	<u>\$ 369,130</u>	<u>\$ 272,106</u>	<u>\$ 8,923</u>

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

WHITLEY COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2014  
 (Continued)

<b>Budgeted Funds</b>						
<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Ambulance Fund</b>	<b>Forestry Fund</b>	<b>Occupational Tax Fund</b>	<b>Tourist Tax Fund</b>	<b>911 Fund</b>
\$	\$	\$	\$ 3,335	\$ 4,242,412	\$ 58,173	\$ 224,487
553,023	165,000	10,000				173,279
		1,902,962				
		3,295		10		179
1,052		261	37	2,530	48	137
<u>554,075</u>	<u>165,000</u>	<u>1,916,518</u>	<u>3,372</u>	<u>4,244,952</u>	<u>58,221</u>	<u>398,082</u>
36,225				95,644		
		1,437,386	3,481			417,420
60,000					57,038	
71,808		31,465				
	157,500					
		641,098		2,019,428		130,181
<u>168,033</u>	<u>157,500</u>	<u>2,109,949</u>	<u>3,481</u>	<u>2,115,072</u>	<u>57,038</u>	<u>547,601</u>
<u>386,042</u>	<u>7,500</u>	<u>(193,431)</u>	<u>(109)</u>	<u>2,129,880</u>	<u>1,183</u>	<u>(149,519)</u>
		176,000				112,350
(306,000)				(2,123,300)		
<u>(306,000)</u>		<u>176,000</u>		<u>(2,123,300)</u>		<u>112,350</u>
80,042	7,500	(17,431)	(109)	6,580	1,183	(37,169)
28,892	50	97,110	5,006	136,239	8,477	43,028
<u>\$ 108,934</u>	<u>\$ 7,550</u>	<u>\$ 79,679</u>	<u>\$ 4,897</u>	<u>\$ 142,819</u>	<u>\$ 9,660</u>	<u>\$ 5,859</u>
\$ 108,934	\$ 7,550	\$ 80,083	\$ 4,897	\$ 142,819	\$ 9,660	\$ 5,859
		(404)				
<u>\$ 108,934</u>	<u>\$ 7,550</u>	<u>\$ 79,679</u>	<u>\$ 4,897</u>	<u>\$ 142,819</u>	<u>\$ 9,660</u>	<u>\$ 5,859</u>

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

WHITLEY COUNTY  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
 IN FUND BALANCES - REGULATORY BASIS  
 For The Year Ended June 30, 2014  
 (Continued)

	Unbudgeted Funds				Total Funds
	Detention Center Public Properties Corporation Fund	Justice Public Properties Corporation Bond Fund	Justice Public Properties Corporation Construction Fund	Jail Commissary Fund	
<b>RECEIPTS</b>					
Taxes	\$	\$	\$	\$	\$ 5,938,825
In Lieu Tax Payments					84,901
Excess Fees					87,162
Licenses and Permits					16,520
Intergovernmental		1,190,111			6,168,603
Charges for Services					2,055,891
Miscellaneous				289,381	410,189
Interest	2		33	68	8,493
Total Receipts	<u>2</u>	<u>1,190,111</u>	<u>33</u>	<u>289,449</u>	<u>14,770,584</u>
<b>DISBURSEMENTS</b>					
General Government					1,895,020
Protection to Persons and Property				185,195	4,017,811
General Health and Sanitation					365,803
Social Services					4,000
Recreation and Culture					117,038
Roads					2,189,247
Debt Service	531,958	1,231,752			1,864,636
Capital Projects			14		157,514
Administration	200	2,000			4,414,947
Total Disbursements	<u>532,158</u>	<u>1,233,752</u>	<u>14</u>	<u>185,195</u>	<u>15,026,016</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(532,156)</u>	<u>(43,641)</u>	<u>19</u>	<u>104,254</u>	<u>(255,432)</u>
<b>Other Adjustments to Cash (Uses)</b>					
Transfers From Other Funds	530,637				4,556,805
Transfers To Other Funds				(65,442)	(4,556,805)
Total Other Adjustments to Cash (Uses)	<u>530,637</u>			<u>(65,442)</u>	
Net Change in Fund Balance	(1,519)	(43,641)	19	38,812	(255,432)
Fund Balance - Beginning (Restated)	33,626	43,641	7,709	53,522	1,397,158
Fund Balance - Ending	<u>\$ 32,107</u>	<u>\$ 0</u>	<u>\$ 7,728</u>	<u>\$ 92,334</u>	<u>\$ 1,141,726</u>
<b>Composition of Fund Balance</b>					
Bank Balance	\$ 32,107	\$	\$ 7,728	\$ 95,556	\$ 1,148,562
Less: Outstanding Checks				(3,222)	(6,836)
Fund Balance - Ending	<u>\$ 32,107</u>	<u>\$ 0</u>	<u>\$ 7,728</u>	<u>\$ 92,334</u>	<u>\$ 1,141,726</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, 2014**

**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. To obtain a copy of the audit report contact at the Whitley County Fiscal Court at (606) 549-6010.

**B. Basis of Accounting**

The financial statement is presented on a regulatory 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 fund balances 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, 2014**  
**(Continued)**

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (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, 2014**  
**(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.

Jail Commissary Fund - The Commissary 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 Commissary Fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory 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 Governmental Accounting Standards Board 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 Jail Commissary 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, 2014**  
**(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 fund balance is 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. The government's fund balance includes cash, cash equivalents, and investments.

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, 2014**  
**(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, 2014, 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 2014.

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Occupational Tax Fund	Jail Canteen Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$	\$	\$ 2,123,300	\$	\$ 2,273,300
Road Fund	150,000						150,000
Jail Fund	943,076			306,000		65,442	1,314,518
Ambulance Fund	176,000						176,000
911 Fund	112,350						112,350
Detention Center Public Properties Corporation Fund	137,679		392,958				530,637
Total Transfers Out	<u>\$ 1,519,105</u>	<u>\$ 150,000</u>	<u>\$ 392,958</u>	<u>\$ 306,000</u>	<u>\$ 2,123,300</u>	<u>\$ 65,442</u>	<u>\$ 4,556,805</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, 2014**  
**(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 \$1,000 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 \$800 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, 2014. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ended June 30	EMS	911	Total
2015	\$ 12,000	\$ 9,600	\$ 21,600
2016	12,000		12,000
2017	12,000		12,000
2018	12,000		12,000
2019	12,000		12,000
2020-2024	60,000		60,000
2025-2029	60,000		60,000
2030	12,000		12,000
	<u>\$ 192,000</u>	<u>\$ 9,600</u>	<u>\$ 201,600</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 for construction, operation and maintenance of a radio transmission tower. The lease commenced on October 1, 2008 and will terminate on October 1, 2014 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
2015	\$ 7,200
2016	7,200
2017	7,200
2018	7,200
2019	7,200
2020-2024	36,000
2025-2029	36,000
2030-2033	<u>28,800</u>
	<u>\$ 136,800</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(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 2014, 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 \$6,835,000 as of June 30, 2014, with principal paid annually on June 1. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 355,000	\$ 177,463
2016	360,000	170,363
2017	370,000	163,163
2018	375,000	155,762
2019	380,000	148,262
2020-2024	2,010,000	608,263
2025-2029	2,095,000	341,510
2030-2031	890,000	43,063
Totals	<u>\$ 6,835,000</u>	<u>\$ 1,807,849</u>

**B. 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 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, 2014, the principal balance was \$14,235,000. Future debt service requirements are:

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

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

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 755,000	\$ 477,859
2016	775,000	459,678
2017	795,000	439,059
2018	815,000	415,902
2019	840,000	391,078
2020-2024	4,665,000	1,506,813
2025-2029	<u>5,590,000</u>	<u>574,841</u>
Totals	<u>\$ 14,235,000</u>	<u>\$ 4,265,230</u>

**C. 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 \$228,900 as of June 30, 2014. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 32,700	\$ 9,410
2016	32,700	7,923
2017	32,700	6,398
2018	32,700	4,892
2019	32,700	3,387
2020-2021	<u>65,400</u>	<u>2,260</u>
Totals	<u>\$ 228,900</u>	<u>\$ 34,270</u>

**D. 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 paid in full as of June 30, 2014.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. 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 20<sup>th</sup> of each month. The principal balance was \$75,667 as of June 30, 2014. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 23,925	\$ 1,826
2016	24,511	1,144
2017	25,111	444
2018	<u>2,120</u>	<u>5</u>
Totals	<u>\$ 75,667</u>	<u>\$ 3,419</u>

**F. 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 20<sup>th</sup> of each month. The principal balance was \$79,293 as of June 30, 2014. Future debt service requirements are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 29,478	\$ 1,843
2016	23,195	1,058
2017	18,700	506
2018	<u>7,920</u>	<u>55</u>
Totals	<u>\$ 79,293</u>	<u>\$ 3,462</u>

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Changes In Long-Term Debt**

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 7,160,000	\$	\$ 325,000	\$ 6,835,000	\$ 355,000
Revenue Bonds	14,975,000		740,000	14,235,000	755,000
Financing Obligations	502,839		118,979	383,860	86,103
Total Long-term Debt	<u>\$ 22,637,839</u>	<u>\$ 0</u>	<u>\$ 1,183,979</u>	<u>\$21,453,860</u>	<u>\$ 1,196,103</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 18.89 percent.

The county's contribution for FY 2012 was \$499,103, FY 2013 was \$532,811, and FY 2014 was \$546,068.

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, 2014**  
**(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, 2014, 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. Related Party Transaction**

The Whitley County Fiscal Court conducted business with the Circuit Clerk in which has shared ownership of a building that is rented to the county for use of Emergency Management. The fiscal court paid the \$7,800 in rent during fiscal year ending June 30, 2014 for the use of the facility.

**Note 10. Financial Statement Restatements**

The Detention Center Public Properties Corporation Construction Fund's beginning balance was increased by \$1,005 due to prior year error. In addition, the General Fund, LGEA Fund, Ambulance Fund, and Tourist Tax Fund beginning balances were increased by \$314, \$1, \$3, and \$1, respectively due to voided checks and rounding. The Jail Commissary Fund beginning balance was decrease by \$1 due to rounding.

**WHITLEY COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 11. 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 unreconciled bank balance in the Jail Inmate Fund as of June 30, 2014 was \$49,702.

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, 2014. 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, 2014 totaled \$102,031.

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,268,540	\$ 1,324,515	\$ 1,308,914	\$ (15,601)
In Lieu Tax Payments	50,400	50,400	84,901	34,501
Excess Fees	54,862	136,604	87,162	(49,442)
Licenses and Permits	17,200	17,200	16,520	(680)
Intergovernmental	455,314	504,218	343,984	(160,234)
Miscellaneous	11,900	48,282	47,216	(1,066)
Interest	3,400	3,400	2,991	(409)
Total Receipts	<u>1,861,616</u>	<u>2,084,619</u>	<u>1,891,688</u>	<u>(192,931)</u>
<b>DISBURSEMENTS</b>				
General Government	1,678,665	1,891,578	1,759,154	132,424
Protection to Persons and Property	159,654	170,372	143,530	26,842
General Health and Sanitation	427,870	520,534	365,803	154,731
Social Services	8,500	8,500	4,000	4,500
Debt Service	187,616	187,616	181,294	6,322
Administration	701,496	972,780	628,877	343,903
Total Disbursements	<u>3,163,801</u>	<u>3,751,380</u>	<u>3,082,658</u>	<u>668,722</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,302,185)</u>	<u>(1,666,761)</u>	<u>(1,190,970)</u>	<u>475,791</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	2,657,000	2,723,350	2,273,300	(450,050)
Transfers To Other Funds	(1,724,815)	(1,724,815)	(1,381,426)	343,389
Total Other Adjustments to Cash (Uses)	<u>932,185</u>	<u>998,535</u>	<u>891,874</u>	<u>(106,661)</u>
Net Change in Fund Balance	(370,000)	(668,226)	(299,096)	369,130
Fund Balance Beginning (Restated)	<u>370,000</u>	<u>668,226</u>	<u>668,226</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 369,130</u>	<u>\$ 369,130</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 105,000	\$ 105,000	\$ 101,504	\$ (3,496)
Intergovernmental	2,214,362	2,688,957	2,520,397	(168,560)
Miscellaneous	1,100	10,545	9,583	(962)
Interest	2,800	2,800	831	(1,969)
Total Receipts	<u>2,323,262</u>	<u>2,807,302</u>	<u>2,632,315</u>	<u>(174,987)</u>
<b>DISBURSEMENTS</b>				
General Government	7,500	7,500	3,997	3,503
Roads	1,983,712	2,520,014	2,117,439	402,575
Debt Service	25,848	25,848	25,846	2
Administration	506,202	472,321	431,309	41,012
Total Disbursements	<u>2,523,262</u>	<u>3,025,683</u>	<u>2,578,591</u>	<u>447,092</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(218,381)</u>	<u>53,724</u>	<u>272,105</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	400,000	400,000	150,000	(250,000)
Transfers To Other Funds	(400,000)	(400,000)	(150,000)	250,000
Total Other Adjustments to Cash (Uses)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Change in Fund Balance	(200,000)	(218,381)	53,724	272,105
Fund Balance Beginning	<u>200,000</u>	<u>218,381</u>	<u>218,382</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 272,106</u>	<u>\$ 272,106</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,530,700	\$ 1,548,766	\$ 1,212,809	\$ (335,957)
Charges for Services	130,300	150,551	152,929	2,378
Miscellaneous	46,300	131,712	125,967	(5,745)
Interest	700	700	503	(197)
Total Receipts	<u>1,708,000</u>	<u>1,831,729</u>	<u>1,492,208</u>	<u>(339,521)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,939,425	1,991,570	1,830,799	160,771
Debt Service	392,958	392,958	392,958	
Administration	624,664	709,730	561,854	147,876
Total Disbursements	<u>2,957,047</u>	<u>3,094,258</u>	<u>2,785,611</u>	<u>308,647</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,249,047)</u>	<u>(1,262,529)</u>	<u>(1,293,403)</u>	<u>(30,874)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,299,047	1,309,280	1,249,076	(60,204)
Transfers To Other Funds	(100,000)	(100,000)		100,000
Total Other Adjustments to Cash (Uses)	<u>1,199,047</u>	<u>1,209,280</u>	<u>1,249,076</u>	<u>39,796</u>
Net Change in Fund Balance	(50,000)	(53,249)	(44,327)	8,922
Fund Balance Beginning	50,000	53,249	53,250	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,923</u>	<u>\$ 8,923</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 697,100	\$ 715,588	\$ 553,023	\$ (162,565)
Interest	1,000	1,000	1,052	52
Total Receipts	<u>698,100</u>	<u>716,588</u>	<u>554,075</u>	<u>(162,513)</u>
<b>DISBURSEMENTS</b>				
General Government	199,600	199,600	36,225	163,375
Recreation and Culture	60,000	60,000	60,000	
Roads	112,500	139,656	71,808	67,848
Administration	2,500	2,500		2,500
Total Disbursements	<u>374,600</u>	<u>401,756</u>	<u>168,033</u>	<u>233,723</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>323,500</u>	<u>314,832</u>	<u>386,042</u>	<u>71,210</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(333,500)</u>	<u>(343,723)</u>	<u>(306,000)</u>	<u>37,723</u>
Total Other Adjustments to Cash (Uses)	<u>(333,500)</u>	<u>(343,723)</u>	<u>(306,000)</u>	<u>37,723</u>
Net Change in Fund Balance	(10,000)	(28,891)	80,042	108,933
Fund Balance Beginning (Restated)	<u>10,000</u>	<u>28,891</u>	<u>28,892</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 108,934</u>	<u>\$ 108,934</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>FEDERAL GRANTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,387,500	\$ 1,387,500	\$ 165,000	\$ (1,222,500)
Total Receipts	<u>1,387,500</u>	<u>1,387,500</u>	<u>165,000</u>	<u>(1,222,500)</u>
<b>DISBURSEMENTS</b>				
Capital Projects	1,387,500	1,387,500	157,500	1,230,000
Total Disbursements	<u>1,387,500</u>	<u>1,387,500</u>	<u>157,500</u>	<u>1,230,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>7,500</u>	<u>7,500</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(50)	(50)		50
Total Other Adjustments to Cash (Uses)	<u>(50)</u>	<u>(50)</u>		<u>50</u>
Net Change in Fund Balance	(50)	(50)	7,500	7,550
Fund Balance Beginning	<u>50</u>	<u>50</u>	<u>50</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,550</u>	<u>\$ 7,550</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,800	\$ 10,800	\$ 10,000	\$ (800)
Charges for Services	1,950,100	1,950,100	1,902,962	(47,138)
Miscellaneous	2,000	3,377	3,295	(82)
Interest	900	900	261	(639)
Total Receipts	<u>1,963,800</u>	<u>1,965,177</u>	<u>1,916,518</u>	<u>(48,659)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,574,345	1,604,854	1,437,386	167,468
Debt Service	44,368	44,368	31,465	12,903
Administration	667,005	659,982	641,098	18,884
Total Disbursements	<u>2,285,718</u>	<u>2,309,204</u>	<u>2,109,949</u>	<u>199,255</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(321,918)</u>	<u>(344,027)</u>	<u>(193,431)</u>	<u>150,596</u>
<b>Other Adjustments to Cash (Uses)</b>				
Governmental Leasing Receipts	100,000	100,000		(100,000)
Transfers From Other Funds	246,918	246,918	176,000	(70,918)
Transfers To Other Funds	<u>(100,000)</u>	<u>(100,000)</u>		<u>100,000</u>
Total Other Adjustments to Cash (Uses)	<u>246,918</u>	<u>246,918</u>	<u>176,000</u>	<u>(70,918)</u>
Net Change in Fund Balance	(75,000)	(97,109)	(17,431)	79,678
Fund Balance Beginning (Restated)	<u>75,000</u>	<u>97,109</u>	<u>97,110</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 79,679</u>	<u>\$ 79,679</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>FORESTRY FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 3,500	\$ 3,500	\$ 3,335	\$ (165)
Miscellaneous	50	50		(50)
Interest	50	50	37	(13)
Total Receipts	<u>3,600</u>	<u>3,600</u>	<u>3,372</u>	<u>(228)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	3,500	3,500	3,481	19
Administration	4,100	5,105		5,105
Total Disbursements	<u>7,600</u>	<u>8,605</u>	<u>3,481</u>	<u>5,124</u>
Net Change in Fund Balance	(4,000)	(5,005)	(109)	4,896
Fund Balance Beginning	<u>4,000</u>	<u>5,005</u>	<u>5,006</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,897</u>	<u>\$ 4,897</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**OCCUPATIONAL TAX FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 4,200,000	\$ 4,200,000	\$ 4,242,412	\$ 42,412
Miscellaneous	50	50	10	(40)
Interest	3,000	3,000	2,530	(470)
Total Receipts	<u>4,203,050</u>	<u>4,203,050</u>	<u>4,244,952</u>	<u>41,902</u>
<b>DISBURSEMENTS</b>				
General Government	108,200	108,717	95,644	13,073
Administration	2,162,900	2,107,272	2,019,428	87,844
Total Disbursements	<u>2,271,100</u>	<u>2,215,989</u>	<u>2,115,072</u>	<u>100,917</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,931,950</u>	<u>1,987,061</u>	<u>2,129,880</u>	<u>142,819</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(2,056,950)</u>	<u>(2,123,300)</u>	<u>(2,123,300)</u>	
Total Other Adjustments to Cash (Uses)	<u>(2,056,950)</u>	<u>(2,123,300)</u>	<u>(2,123,300)</u>	
Net Change in Fund Balance	(125,000)	(136,239)	6,580	142,819
Fund Balance Beginning	<u>125,000</u>	<u>136,239</u>	<u>136,239</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 142,819</u>	<u>\$ 142,819</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>TOURIST TAX FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 48,000	\$ 49,689	\$ 58,173	\$ 8,484
Interest	100	100	48	(52)
Total Receipts	<u>48,100</u>	<u>49,789</u>	<u>58,221</u>	<u>8,432</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	48,000	57,039	57,038	1
Administration	2,700	1,226		1,226
Total Disbursements	<u>50,700</u>	<u>58,265</u>	<u>57,038</u>	<u>1,227</u>
Net Change in Fund Balance	(2,600)	(8,476)	1,183	9,659
Fund Balance Beginning (Restated)	<u>2,600</u>	<u>8,476</u>	<u>8,477</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,660</u>	<u>\$ 9,660</u>

**WHITLEY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 280,000	\$ 280,000	\$ 224,487	\$ (55,513)
Intergovernmental	155,200	155,200	173,279	18,079
Miscellaneous	1,000	1,000	179	(821)
Interest	250	250	137	(113)
Total Receipts	<u>436,450</u>	<u>436,450</u>	<u>398,082</u>	<u>(38,368)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	421,900	439,334	417,420	21,914
Administration	169,900	152,494	130,181	22,313
Total Disbursements	<u>591,800</u>	<u>591,828</u>	<u>547,601</u>	<u>44,227</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(155,350)</u>	<u>(155,378)</u>	<u>(149,519)</u>	<u>5,859</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	112,350	112,350	112,350	
Total Other Adjustments to Cash (Uses)	<u>112,350</u>	<u>112,350</u>	<u>112,350</u>	
Net Change in Fund Balance	(43,000)	(43,028)	(37,169)	5,859
Fund Balance Beginning	<u>43,000</u>	<u>43,028</u>	<u>43,028</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,859</u>	<u>\$ 5,859</u>

**WHITLEY COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY INFORMATION-**  
**BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory 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 Governmental Accounting Standards Board 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.

**Note 2. Reconciliation To The General Fund And Jail Fund**

Reconciliation of the General Fund

Total Disbursements-Budgetary Basis	\$ 3,082,658
To adjust for PPC debt payments	<u>(137,679)</u>
Total Disbursements-Regulatory Basis	<u>\$ 2,944,979</u>
Total Other Adjustments to Cash (Uses)-Budgetary Basis	\$ 891,874
To adjust for PPC debt payments	<u>(137,679)</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ 754,195</u>

Reconciliation of the Jail Fund

Total Receipts-Budgetary Basis	\$ 1,492,208
To adjust for Jail Commissary Payments	<u>(65,442)</u>
Total Receipts-Regulatory Basis	<u>\$ 1,426,766</u>
Total Disbursements-Budgetary Basis	\$ 2,785,611
To adjust for PPC debt payments	<u>(392,958)</u>
Total Disbursements-Regulatory Basis	<u>\$ 2,392,653</u>
Total Other Adjustments to Cash (Uses)-Budgetary Basis	\$ 1,249,076
To adjust for PPC debt payments	(392,958)
To adjust for Jail Commissary Payments	<u>65,442</u>
Total Other Adjustments to Cash (Uses)-Regulatory Basis	<u>\$ 921,560</u>

**WHITLEY COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**

**WHITLEY COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

The fiscal court reports the following schedule of capital assets:

	Adjusted Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 661,158	\$	\$ 125,000	\$ 536,158
Buildings	26,174,930			26,174,930
Vehicles and Equipment	2,270,061	82,806		2,352,867
Other Equipment	1,626,809			1,626,809
Infrastructure	9,721,121	602,189		10,323,310
<b>Total Capital Assets</b>	<b>\$ 40,454,079</b>	<b>\$ 684,995</b>	<b>\$ 125,000</b>	<b>\$ 41,014,074</b>

The capital assets from prior year were adjusted as follows due to errors and omissions:

	PY Report Ending Balance	Additions	Deletions	Adjusted Beginning Balance
Land	\$ 697,125	\$	\$ 35,967	\$ 661,158
Buildings	26,839,930		665,000	26,174,930
Vehicles and Equipment	2,274,980	159,579	164,498	2,270,061
Other Equipment	1,644,835		18,026	1,626,809
Infrastructure	9,633,128	122,679	34,686	9,721,121
<b>Total Capital Assets</b>	<b>\$ 41,089,998</b>	<b>\$ 282,258</b>	<b>\$ 918,177</b>	<b>\$40,454,079</b>

**WHITLEY COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**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 regulatory supplementary information - schedule of capital assets. 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



## PEEROY AND GRAY, PSC

**Certified Public Accountants**

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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 Fund Balances - Regulatory Basis of the Whitley County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated August 14, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**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 (internal control) 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 2014-01 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.

### **County Jailer's Response to Finding**

The Whitley County Jailer's responses to the finding identified in our audit is described in the accompanying comment and recommendation. The County Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

### **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,



Percy & Gray, PSC  
Certified Public Accountants

August 14, 2015

**WHITLEY COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2014**

**WHITLEY COUNTY**  
**COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2014**

**INTERNAL CONTROL - MATERIAL WEAKNESS**

2014-01 The Jail Commissary Lacks Adequate Segregation Of Duties

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The Jailer's office lacks adequate segregation of duties over the jail Commissary 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 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.

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 Commissary 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: We sign off on daily deposits by monetary type, daily cash and receipts and cash checkouts everyday by the Jailer, Deputy Jailer, and Bookkeeper.*

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

**WHITLEY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

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

