



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
WHITLEY COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1999

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Michael L. Patrick, Whitley County Judge/Executive

Honorable Leroy Gilbert, Former Whitley County Judge/Executive

Members of the Whitley County Fiscal Court

The enclosed report prepared by Evans, Mills & Warriner, PLLC, Certified Public Accountants, presents the statement of assets, liabilities, and fund balances arising from cash transactions of Whitley County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended.

We engaged Evans, Mills & Warriner, PLLC, to perform the financial audit of these statements. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Evans, Mills & Warriner, PLLC, evaluated Whitley County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

**AUDIT REPORT OF
WHITLEY COUNTY FISCAL COURT
JUNE 30, 1999**

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To the People of Kentucky
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Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Whitley County, Kentucky, as of June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Whitley County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Whitley County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Whitley County, Kentucky at June 30, 1999, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
Mr. John R. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Michael L. Patrick, County Judge Executive
Members of the Whitley County Fiscal Court

Our audit was made for the purpose of forming an opinion on the financial statements of Whitley County, Kentucky, taken as a whole. The information, provided on the accompanying schedules is presented for purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The other information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Findings and Questioned Costs included herein, which discusses the following area of noncompliance:

- The Jailer Should Prepare And Submit A Jail Summary And Reconciliation At Year End

In accordance with Governmental Auditing Standards, we have also issued a report dated December 10, 1999 on our consideration of Whitley County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants and internal control over financial reporting.

Evans Mills + Warriner PLLC

Barbourville, Kentucky
December 10, 1999

COUNTY OFFICIALS

FISCAL YEAR ENDED JUNE 30, 1999

Michael L. Patrick	County Judge/Executive
Emby A. McKeehan	County Attorney
Tom Rains	County Clerk
Gary Barton	Circuit Court Clerk
Ancil Carter	Sheriff
Jerry F. Taylor	Jailer
Ronnie Moses	Property Valuation Administrator
Iva Lynda Steely	County Treasurer
Carl M. Paul	Coroner
Nolan Bird	Magistrate
Burley Foley	Magistrate
Johnny Lawson	Magistrate
Mike Howard	Magistrate

**WHITLEY COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
JUNE 30, 1999**

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 976,281
Receivable - 4 (c)	16,379
Receivable - Note 4 (d)	16,011
Receivable Note - 4 (e)	5,405
Road And Bridge Fund:	
Cash	8,018
Jail Fund:	
Cash	16,384
Jail Commissary Fund:	
Cash	1,239
Local Government Economic Assistance Fund:	
Cash	38,623
Forestry Fund:	
Cash	6,319
911 Fund:	
Cash	18,510
Community Development Block Grant Fund Revolving Loan Fund:	
Cash	140,031
Receivable - 4 (a)	2,639
Receivable - 4 (b)	31,291
Tourism Room Tax Fund:	
Cash	6,701
Kentucky Community Development Block Grant Fund:	
Cash	62,370
Public Properties Corporation Fund - 1987 Bond Issue:	
Cash	3,200
Public Properties Corporation Fund - 1995 Bond Issue:	
Cash	326,671
Public Properties Corporation Fund - 1997 Bond Issue:	
Cash	281
Williamsburg - Whitley County Airport Board Fund:	
Cash	137,302
Payroll Revolving Account - Cash	8,494

Other Resources

Public Properties Corporation Fund - 1995 Bond Issue:	
Amounts to be Provided in Future Years for Bond Payments	1,632,829
Public Properties Corporation Fund - 1997 Bond Issue:	
Amounts to be Provided in Future Years for Bond Payments	459,719
911 Fund:	
Amounts to be Provided in Future Years for Capital Lease Payments	222,827
	<hr/>
Total Assets and Other Resources	\$ 4,137,524
	<hr/> <hr/>

See the accompanying notes to the financial statements.

WHITLEY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 JUNE 30, 1999
 (CONTINUED)

Liabilities and Fund Balances

Liabilities

General Fund:	
Deferred Revenue - Note 4 (c)	\$ 16,379
Deferred Revenue - Note 4 (d)	16,011
Deferred Revenue - Note 4 (e)	5,405
Community Development Block Grant Fund Revolving Loan Fund:	
Deferred Revenue - Note 4 (a)	2,639
Deferred Revenue - Note 4 (b)	31,291
Public Properties Corporation Fund - 1995:	
Bonds Not Matured - Note 5 (a)	1,959,500
Public Properties Corporation Fund - 1997:	
Bonds Not Matured - Note 5 (b)	460,000
Williamsburg - Whitley County Airport Board Fund:	
Long-term Note Payable - Note 5 (c)	67,068
911 Fund:	
Capital Lease (Note F)	241,337
Payroll Revolving Account	8,494

Fund Balances

Reserved:	
Jail Commissary Fund	1,239
Forestry Fund	6,319
Tourism Room Tax Fund	6,701
Kentucky Community Development Block Grant	62,370
Community Development Block Development Grant Revolving Loan Fund	140,031
Williamsburg - Whitley County Airport Board Fund	70,234
Unreserved:	
General Fund	976,281
Road and Bridge Fund:	8,018
Jail Fund	16,384
Local Government Economic Assistance Fund	38,623
Public Properties Corporation Fund - 1987:	
Reserve Balance	3,200
Total Liabilities and Fund Balances	\$ 4,137,524

See the accompanying notes to the financial statements.

WHITLEY COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
FISCAL YEAR ENDED JUNE 30, 1999

	Totals (Memorandum Only)	Local Government					911 Fund
		General Fund	Road and Bridge Fund	Jail Fund	Jail Commissary Fund	Economic Assistance Fund	
Cash Receipts							
Operating Revenue	\$ 6,812,361	\$ 3,769,537	\$ 1,419,045	\$ 224,728	\$ 258,289	\$ 6,289	\$ 180,709
Transfers In	1,436,914	204,000	374,000	408,580			49,000
Williamsburg - Whitley County Airport Board Fund - Sale Proceeds	163,600						
Jail Commissary Fund Receipts	56,122				56,122		
Williamsburg - Whitley County Airport Board Fund Receipts	4,234						
Total Cash Receipts	\$ 8,473,231	\$ 3,973,537	\$ 1,793,045	\$ 633,308	\$ 258,289	\$ 6,289	\$ 229,709

Cash Disbursements							
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,524,434	\$ 2,316,102	\$ 1,453,768	\$ 674,851	\$ 45,931	\$ 3,366	\$ 197,980
Transfers Out	1,436,914	812,268	418,119		178,000		4,000
Capital Lease - 911 Fund Equipment	37,182						37,182
Bonds:							
Principal Paid	240,000						
Interest Paid	156,368						
Jail Commissary Fund Expenditures	54,993				54,993		
Williamsburg - Whitley County Airport Board Fund Disbursements	66,015						
Total Cash Disbursements	\$ 7,515,906	\$ 3,128,370	\$ 1,871,887	\$ 674,851	\$ 223,931	\$ 3,366	\$ 239,162

Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 957,325	\$ 845,167	\$ (78,842)	\$ (41,543)	\$ 1,129	\$ 2,923	\$ (9,453)
Cash Balance - July 1, 1998	784,605	131,114	86,860	57,927	110	3,396	27,963
Cash Balance - June 30, 1999	\$ 1,741,930	\$ 976,281	\$ 8,018	\$ 16,384	\$ 1,239	\$ 6,319	\$ 18,510

See the accompanying notes to the financial statements.

1,741,930

WHITLEY COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 FISCAL YEAR ENDED JUNE 30, 1999
 (CONTINUED)

Cash Receipts	Tourism Room Tax Fund	Community Development Block Grant Revolving Loan Fund	Kentucky Community Development Block Grant Fund	Public Properties Corporation Fund - 1987 Bond Issue	Public Properties Corporation Fund - 1995 Bond Issue	Public Properties Corporation Fund - 1997 Bond Issue	Williamsburg - Whitley County Airport Board Fund
Operating Revenue	\$ 37,855	\$ 23,253	\$ 871,013	\$	\$ 21,643	\$ 59,431	\$ 24,527
Transfers In					317,376		
Williamsburg - Whitley County Airport Board Fund - Sale Proceeds							163,600
Jail Commissary Fund Receipts							
Williamsburg - Whitley County Airport Board Fund Receipts							4,234
Total Cash Receipts	\$ 37,855	\$ 23,253	\$ 871,013	\$ 0	\$ 339,019	\$ 59,431	\$ 192,361

Cash Disbursements

Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 23,529	\$ 14	\$ 808,893	\$	\$	\$	\$
Transfers Out	24,527						
Capital Lease - 911 Fund Equipment							
Bonds:							
Principal Paid					205,000	35,000	
Interest Paid					131,937	24,431	
Jail Commissary Fund Expenditures							
Williamsburg - Whitley County Airport Board Fund Disbursements							66,015
Total Cash Disbursements	\$ 48,056	\$ 14	\$ 808,893	\$ 0	\$ 336,937	\$ 59,431	\$ 66,015
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (10,201)	\$ 23,239	\$ 62,120	\$ 0	\$ 2,082	\$ 0	\$ 126,346
Cash Balance - July 1, 1998	16,902	116,792	250	3,200	324,589	281	10,956
Cash Balance - June 30, 1999	\$ 6,701	\$ 140,031	\$ 62,370	\$ 3,200	\$ 326,671	\$ 281	\$ 137,302

See the accompanying notes to the financial statements.

WHITLEY COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Whitley County, Kentucky include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the governments' ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Whitley County Public Properties Corporation Fund – 1987, 1995, 1997 Bond Issue, the Jail Commissary Fund, and the Williamsburg-Whitley County Airport Board Fund as part of the reporting entity.

B. Fund Accounting

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

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State and Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts.

D. Legal Compliance - Budget

The Whitley County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge Executive is required to submit estimated receipts and proposed expenditures to 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, but may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note C), investments exclude certificates of deposit.

Kentucky Revised Statute 66.480 authorizes the county to invest in 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 Government; bonds or certificates of indebtedness of this state and of its agencies; and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution. These instruments must be insured by the Federal Deposit Insurance Corporation or similar entity of which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(4).

**WHITLEY COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 2. EMPLOYEE RETIREMENT SYSTEM

The county has elected to participate in the County Employee Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees is 8.65 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

NOTE 3. DEPOSITS

The county maintains its deposits with financial institutions insured by the Federal Deposits Insurance Corporation (FDIC). According to law, the depository bank should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC insurance in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement 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. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The county met the requirements stated above, and as of June 30, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county's agent in the county's name.

NOTE 4. RECEIVABLES

A. The county loaned \$25,000 to Mountain Lifeline, Inc. on December 9, 1994, for the purpose of starting the Mountain Lifeline Ambulance Service in Whitley County. Terms of the agreement stipulate a five (5) year repayment schedule with five (5) percent interest. Mountain Lifeline, Inc. is in substantial compliance with the terms of the agreement. During the current audit period, Mountain Lifeline, Inc. made total payments consisting of \$6,611 in principal and \$337 in interest, resulting in an unpaid principal balance due the county of \$2,639 as of June 30, 1999.

B. On February 5, 1986, Whitley County and the City of Williamsburg jointly entered into an agreement to loan Lion Uniform Center \$299,000 from a Community Development Block Grant. Of this grant amount, \$49,000 was for water service improvements to be administered by the City of Williamsburg, and \$250,000 was loaned to Lion Uniform Center.

The agreement established a fifteen (15) year loan at three (3) percent interest with one hundred and eighty (180) monthly payments. During the current audit period, Lion Uniform Center made total payments consisting of \$9,269 principal and \$1,090 interest, resulting in an unpaid principal balance due the county of \$31,291 as of June 30, 1999.

C. On June 25, 1997, Whitley County entered into an agreement with Mountain Lifeline, Inc. to lease and ambulance unit, including additional equipment, to Mountain Lifeline. The terms of the agreement require the county to receive \$468 per month for sixty (60) months, with no interest as long as the payments are made timely. The unpaid balance due the county was \$16,379 as of June 30, 1999.

WHITLEY COUNTY FISCAL COURT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

NOTE 4. RECEIVABLES (CONTINUED)

- D. On June 30, 1998, Whitley County entered into an agreement with Mountain Lifeline, Inc. to lease and ambulance unit, including additional equipment, to Mountain Lifeline. The terms of the agreement require the county to receive \$445 per month for forty-eighty (48) months, with no interest as long as the payments are made timely. The unpaid balance due the county was \$16,011 as of June 30, 1999.
- E. An Agree Order of Adequate Protection with the First National Bank and Trust Company of Corbin was signed and entered into the court records on May 23, 1996. Transcare Ambulance Service, Inc. was ordered to pay principal and interest on loans received prior to filing bankruptcy. Payments are scheduled at \$345 per month. The balance due was \$5,405 as of June 30, 1999.
- F. On May 1, 1995, the Williamsburg-Cumberland Falls Air Board (now the Williamsburg-Whitley County Airport Board) entered into a ninety-nine year lease agreement with the Williamsburg Golf and Country Club, Inc. The airport board leased the country club, land for a \$5,000 payment plus a \$1 yearly ground rental fee for ninety-nine years. The lease agreement will terminate on April 30, 2094. The receivable balance at June 30, 1999, is \$65.

NOTE 5. LONG-TERM DEBT

A. 1995 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation – 1995 Bond Issue are \$1,959,500 Refunding Revenue Bonds dated September 1, 1995 issued for the purpose of courthouse renovations and certain road projects. Principal payments are due each year on May 1, in the amounts indicated below. Interest on the bonds is payable each May 1 and November 1, beginning May 1, 1996. A debt service reserve has been established with a certificate of deposit held at Farmers Deposit Bank of \$310,500. The interest rate is 6.30 %, which is paid on behalf of Whitley County at each interest date. The debt service reserve will be retired and paid on behalf of Whitley County on the last principal date May 1, 2007. The following schedule of debt service requirements has been adjusted to reflect the debt service reserve activity.

Fiscal Year Ended June 30	Interest Rate	Scheduled Interest	Principal Amount
2000	4.80	\$ 102,740	\$ 210,000
2001	5.00	92,660	220,000
2002	5.10	81,660	230,000
2003	5.25	69,930	235,000
2004	5.40	57,594	245,000
2005- 2007	5.50 to 5.75	89,640	819,500
Totals		\$ 494,224	\$ 1,959,500

WHITLEY COUNTY FISCAL COURT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

NOTE 5. LONG-TERM DEBT (CONTINUED)

B. 1997 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation – 1997 Bond Issue are \$ 460,000 Refunding Revenue Bonds dated August 1, 1997 issued for the purpose of road construction and repair. Principal payments are due each year on May 1, in the amounts indicated below. Interest on the bonds is payable each May 1 and November 1, beginning May 1, 1998

Fiscal Year Ended June 30	Interest Rate	Scheduled Interest	Principal Amount
2000	4.75	\$ 22,769	\$ 35,000
2001	5.00	20,938	40,000
2002	5.00	18,938	40,000
2003	5.00	16,813	45,000
2004	5.00	14,563	45,000
2005- 2009	5.25 - 5.40	35,351	255,000
Totals		\$ 129,372	\$ 460,000

C. Airport Board Note Payable

The Williamsburg-Whitley County Airport Board entered into a loan agreement with Farmers National Bank (now Community Trust Bank) of Williamsburg for \$87,000 on January 28, 1994 for the purchase of land. Terms of the agreement require fifteen (15) annual payments of \$9,315 at 6.6% interest. The unpaid balance as of June 30, 1999 was \$67,068. The loan is secured with a certificate of deposit with a balance of \$77,038.

Fiscal Year Ended June 30	Interest Rate	Scheduled Interest	Principal Amount
2000	6.60	\$ 4,397	\$ 4,918
2001	6.60	4,072	5,243
2002	6.60	3,726	5,589
2003	6.60	3,357	5,958
2004	6.60	2,966	6,349
2005- 2009	6.60	7,550	39,011
Totals		\$ 26,068	\$ 67,068

**WHITLEY COUNTY FISCAL COURT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999**

NOTE 6. LEASE-PURCHASE AGREEMENT

The County has entered into the following lease-purchase agreements:

<u>Item Purchased</u>	<u>Periodic Payment</u>	<u>Terms of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance June 30, 1999</u>
Ambulance	1,404	20 Quarters	August 1, 2001	11,466
Ambulance	448	48 Months	May 2, 2002	14,275
Dump Trucks	14,372	11 Semi-annual	December 1, 2001	66,300
Motor Grader	38,340	48 Months	October 15, 2001	83,288

NOTE 7. CAPITAL LEASE

On April 22, 1997 the county entered into a Municipal Lease and Option Agreement with NAL Financial Corporation for \$309,374 for the purchase of a 911 Emergency System. Terms of the agreement require eighty-four (84) payments of \$4,677 beginning September 15, 1997 and ending September 15, 2004. The unpaid balance as of June 30, 1999 was \$241,337.

NOTE 8. INSURANCE

For the fiscal year ended June 30, 1999, Whitley County was a member of the Kentucky Associations of Counties' All Lines Insurance Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' error and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE
FISCAL YEAR ENDED JUNE 30, 1999

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 3,100,098	\$ 3,769,537	\$ 669,439
Road and Bridge Fund	1,598,650	1,419,045	(179,605)
Jail Fund	621,442	224,728	(396,714)
Local Government Economic Assistance Fund	65,900	258,289	192,389
Forestry Fund	3,600	6,289	2,689
911 Fund	174,453	180,709	6,256
Tourism Room Tax Fund	12,472	37,856	25,384
Kentucky Community Development Block Grant Fund	875,013	871,013	(4,000)
Community Development Block Grant Revolving Loan Fund	19,000	23,253	4,253
Total Budgeted Funds	<u>\$ 6,470,628</u>	<u>\$ 6,790,719</u>	<u>\$ 320,091</u>
 <u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,470,628
Add: Budgeted Prior Year Surplus			<u>445,470</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,916,098</u>

**WHITLEY COUNTY
SCHEDULE OF OPERATING REVENUE
FISCAL YEAR ENDED JUNE 30, 1999**

<u>Revenue From Local Taxes and Excess Fees</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Sheriff:				
Taxes	\$ 917,896	\$ 917,896	\$	\$
County Clerk:				
Deed Transfer Tax	49,966	49,966		
Delinquent Taxes	47,421	47,421		
Excess Fees	162,223	162,223		
Tangible Personal Property Taxes:				
Other Counties	19,556	19,556		
County Clerk	109,005	109,005		
In Lieu of Taxes:				
T.V.A.	4,002	4,002		
Other in Lieu Payments	23,347	23,347		
Bank Shares	79,346	79,346		
Tourism Room Tax	36,792			
Totals	\$ 1,449,554	\$ 1,412,762	\$ 0	\$ 0

Federal Receipts - State Treasurer

Community Development Block Grant	\$ 871,013	\$	\$	\$
Federal Disaster and Emergency Services/Emergency Management	119,195	13,436	105,759	
Pride Funds	19,563	19,563		
National Forestry Receipts	25,356		25,356	
Totals	\$ 1,035,127	\$ 32,999	\$ 131,115	\$ 0

Kentucky State Treasurer

Jail:				
Allotments	\$ 106,881	\$	\$	\$ 106,881
Medical Allotments	9,189			9,189
DUI Service Fees	6,762			6,762
Housing State Prisoners	21,620			21,620
County Road Aid	835,337		835,337	
Energy Recovery	4,079		4,079	
Truck License Distribution	161,449		161,449	
Fire Protection	6,069			
Strip Mine Permits	26,363		26,363	
Election Expense Reimbursement	18,360	18,360		
Courthouse Rental - AOC	118,235	118,235		
Refunds:				
Drivers License	3,110		3,110	
Dog License	66	66		
State Reimbursement	250,000		250,000	

WHITLEY COUNTY
 SCHEDULE OF OPERATING REVENUE (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

Local Government Economic Assistance Fund	Forestry Fund	911 Fund	Tourism Room Tax Fund	Kentucky Community Development Block Grant Fund	Community Development Block Grant Revolving Loan Fund	Public Properties Corporation Fund - 1995 Bond Issue
\$	\$	\$	\$	\$	\$	\$
			36,792			
\$ 0	\$ 0	\$ 0	\$ 36,792	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$	\$ 871,013	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0	\$ 871,013	\$ 0	\$ 0
\$	\$	\$	\$	\$	\$	\$

6,069

WHITLEY COUNTY
SCHEDULE OF OPERATING REVENUE (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 1999

<u>Kentucky State Treasurer (Continued)</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Severance Taxes:				
Coal Severance	\$ 158,046	\$	\$	\$
Mineral	99,329			
Board of Assessments	1,800	1,800		
Grants:				
Natural Resources	1,995	1,995		
Airport	2,000,000	2,000,000		
Volunteer Fire Department Equipment	120,000	120,000		
Police Incentive Pay	1,669	1,669		
Totals	\$ 3,950,359	\$ 2,262,125	\$ 1,280,338	\$ 144,452
<u>Miscellaneous Revenue</u>				
Interest	\$ 58,753	\$ 19,889	\$ 5,849	\$ 2,316
Circuit Court Clerk:				
Jail Cost	16,728			16,728
Work Release	725			725
Jail Bond Fees	4,358			4,358
Jail:				
Telephone Commission Refunds	6,049			6,049
Contracts with Other Counties	15,368			15,368
Vending Machine Commission	1,521	1,521		
Lease and Rentals	11,421	11,421		
Medical Cost Recovered	879			879
Community Development Block Grant Loan Repayments:				
Principal -				
Lion Uniform Center	9,269			
Mountain Lifeline, Inc.	6,611			
Interest -				
Lion Uniform Center	1,090			
Mountain Lifeline, Inc.	338			
911 Receipts	179,795			
Reimbursements	6,174	5,374		800
Charges for Services:				
Kentucky Off-Track Betting	22,473	22,473		
Miscellaneous	35,769	973	1,743	33,053
Totals	\$ 377,321	\$ 61,651	\$ 7,592	\$ 80,276
Total Operating Revenue	\$ 6,812,361	\$ 3,769,537	\$ 1,419,045	\$ 224,728

WHITLEY COUNTY
 SCHEDULE OF OPERATING REVENUE (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

Local Government Economic Assistance Fund	Forestry Fund	911 Fund	Tourism Room Tax Fund	Kentucky Community Development Block Grant Fund	Community Development Block Grant Revolving Loan Fund	Public Properties Corporation Fund - 1995 Bond Issue
\$ 158,046 99,329	\$	\$	\$	\$	\$	\$
\$ 257,375	\$ 6,069	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$ 914	\$ 220	\$ 914	\$ 1,063	\$	\$ 5,945	\$ 21,643
		179,795			9,269 6,611 1,090 338	
\$ 914	\$ 220	\$ 180,709	\$ 1,063	\$ 0	\$ 23,253	\$ 21,643
\$ 258,289	\$ 6,289	\$ 180,709	\$ 37,855	\$ 871,013	\$ 23,253	\$ 21,643

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999

<u>GENERAL FUND</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>General Government</u>			
Office of County Judge Executive:			
Salaries-			
County Judge Executive	\$ 54,350	\$ 54,277	\$ 73
Deputy County Judge Executive	12,891	12,891	
Finance Officer	18,400	15,466	2,934
County Judge Executive Staff	21,600	20,423	1,177
Office Materials and Supplies	9,000	8,674	326
Office Equipment	6,500	3,710	2,790
Office of County Attorney:			
Salaries-			
County Attorney	13,400	13,400	
County Attorney Secretary	16,800	16,639	161
County Attorney, Rent	3,400	1,500	1,900
County Attorney, Expense	1,600	1,203	397
Office of County Clerk:			
Salary	300	300	
Audit Service	6,000		6,000
Tax Bill Preparation	13,500	7,667	5,833
Supplies	8,000	7,542	458
Office of Sheriff:			
Deputies Salaries	7,200	7,200	
Accounting Services	4,352	4,352	
Audit Services	14,400		14,400
Other Contracted Services	2,200	994	1,206
Bond Premium	1,300	1,294	6
Printing Delinquent Taxes	22,545	22,545	
Reimbursement	4,800	4,800	
Office of County Coroner:			
County Coroner's Salary	12,000	12,000	
Supplies	5,000	807	4,193
Fiscal Court:			
Magistrates Salaries	38,400	38,400	
Legal Fees	3,000	2,280	720
Other Contracted Services	700	675	25
Office of the Property Valuation Administrator:			
Statutory Contribution	29,141	29,141	
Office of the Board of Assessment Appeals:			
Per Diem	3,600	3,600	

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>GENERAL FUND - CONTINUED</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>General Government - Continued</u>			
Office of County Treasurer:			
County Treasurer's Salary	\$ 27,000	\$ 27,000	\$
Advertising	1,425	1,425	
Office of Circuit Court Clerk:			
Law Library Fee	600	600	
Elections:			
Per Diem-			
Election Officers	49,300	48,998	302
Polling Place	1,700	1,625	75
Election Expense	42,600	42,526	74
Courthouse:			
Salaries -			
Custodial Personnel	32,000	31,038	962
Materials and Supplies	8,157	7,294	863
Telephone	32,000	25,440	6,560
Utilities	30,000	22,689	7,311
Maintenance	15,000	7,219	7,781
<u>Protection to Persons and Property</u>			
County Fire Department:			
Contributions	22,200	22,168	32
Fire Protection Equipment Grants	120,000	120,000	
Disaster and Emergency Services:			
Director's Salary	20,750	19,200	1,550
Emergency Materials and Supplies	4,000	2,242	1,758
Telephone	1,400	608	792
Ambulance Service:			
Special Projects	31,000		31,000
Reimbursements	60,000	60,000	
Grant - Prior Year	2,800	1,935	865
Office of the Public Defender:			
Program Support	4,166	4,166	
<u>General Health and Sanitation</u>			
Dog Control:			
Dog Warden Salary	800		800

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>GENERAL FUND - CONTINUED</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>General Health and Sanitation (Continued)</u>			
Solid Waste:			
Solid Waste	\$ 40,000	\$ 19,584	\$ 20,416
Tires and Tubes	5,000	2,740	2,260
Solid Waste Coordinator:			
Solid Waste Coordinator	3,900	3,600	300
Office Expense	1,850	1,177	673
Soil and Water Conservation:			
Soil and Water Evaluation and Testing	16,000		16,000
<u>Social Services</u>			
Senior Citizens:			
Assistance	4,000	4,000	
General Charity and Welfare:			
Autopsies and Attendant Services	4,000	3,299	701
Pauper Burials	2,000	1,600	400
<u>Debt Service</u>			
Borrowed Money:			
Note Interest	3,000		3,000
Other County Liabilities:			
Lease -			
Principal	8,920	8,840	80
Interest	2,340	2,114	226
Capital Projects:			
Appraisal and Survey	46,000		
Engineering Services	79,000		
Legal Fees	10,000		
Land	1,865,000	1,290,863	574,137
<u>Administration</u>			
General Services:			
COBRA Pass-thru Insurance	4,800	801	3,999
Advertising	3,000	1,418	1,582
Audit Services	11,500	11,357	143

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>GENERAL FUND - CONTINUED</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>Administration (Continued)</u>			
General Services (Continued):			
Bank Service Charges	\$ 600	\$ 331	\$ 269
Insurance	32,000	31,788	212
Memberships	11,000	9,749	1,251
Bond Permit Refund	10,000		10,000
Registration and Training	3,200	3,174	26
Miscellaneous	1,000	703	297
Contingent Appropriations:			
Reserve for Budget Transfers	29,552		29,552
Fringe Benefits:			
County Contributions -			
Social Security	61,000	57,250	3,750
Retirement	58,200	53,647	4,553
Health Insurance	47,300	47,137	163
Unemployment Insurance	14,000	11,204	2,796
Worker's Compensation	11,773	11,773	.
Total Operating Budget	\$ 3,231,212	\$ 2,316,102	\$ 780,110
Other Financing Uses:			
(A) Transfers to Whitley County Public Properties Corporation Fund	\$ 158,688	\$ 158,688	\$
(B) Borrowed Money - Principal	200,000		200,000
Total General Fund	\$ 3,589,900	\$ 2,474,790	\$ 980,110
<u>ROAD AND BRIDGE FUND</u>			
<u>General Government</u>			
Fiscal Court:			
Magistrates - Expense Allowance	\$ 14,400	\$ 14,400	\$
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	21,000	19,806	1,194
Salaries - Road Labor	164,558	161,665	2,893

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>ROAD AND BRIDGE FUND (CONTINUED)</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>Roads (Continued)</u>			
Office of Road Supervisor/Engineer (Continued):			
Contracted Work -			
Roads	\$ 787,984	\$ 787,984	\$
Bridges	60,294	60,294	
Rentals	4,400	4,280	120
Concrete	10,000	9,737	263
Stone and Gravel Haul	123,000	100,742	22,258
Gasoline and Oil	25,000	23,546	1,454
General Road Materials	21,000	16,420	4,580
Tile and Pipe	30,000	24,345	5,655
Tires and Tubes	12,350	12,049	301
Bridge Repair Materials	4,000		4,000
Reimbursements	2,000	1,732	268
Telephone	2,000	916	1,084
Utilities	9,000	4,556	4,444
Maintenance of Equipment	37,650	18,465	19,185
Miscellaneous	1,000	997	3
Capital Outlay Equipment	25,500	24,666	834
<u>Debt Service</u>			
Other County Liabilities:			
Lease-purchase Agreements-			
Principal	70,804	70,798	6
Interest	11,361	11,315	46
<u>Administration</u>			
General Services:			
Insurance	16,000	14,361	1,639
School Board Payment - National Forestry	16,880	12,678	4,202
Contingent Appropriations:			
Reserve for Budget Transfers	148,229		148,229
Fringe Benefits:			
County Contributions -			
Social Security	18,000	14,379	3,621
Retirement	14,000	12,993	1,007
Health Insurance	19,000	18,429	571

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>ROAD AND BRIDGE FUND (CONTINUED)</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>Administration (Continued)</u>			
Fringe Benefits (Continued):			
Unemployment Insurance	\$ 5,600	\$ 5,510	\$ 90
Worker's Compensation	10,500	6,705	3,795
Total Operating Budget	\$ 1,685,510	\$ 1,453,768	\$ 231,742
Other Financing Uses:			
(A) Transfers to Whitley County Public Properties Corporation Fund	218,120	218,119	1
Total Road and Bridge Fund	\$ 1,903,630	\$ 1,671,887	\$ 231,743

JAIL FUND

Protection to Persons and Property

Office of Jailer:

Personnel Services-

Salaries-

Jailer	\$ 54,310	\$ 54,277	\$ 33
Jail Personnel	190,317	189,311	1,006

Operations-

Contracts With Counties	9,350	9,339	11
Pest Control	240	240	
Custodial Supplies	6,650	6,641	9
Food Preparation and Serving Equipment	3,200	3,195	5
Food	73,417	73,367	50
Jail Linens	143	143	
Office Supplies	3,620	3,612	8
Prisoner Hygiene	2,740	2,739	1
Routine Medical	50,170	50,167	3
Telephone	2,070	1,923	147
Utilities	29,600	27,478	2,122
Miscellaneous Operating Expense	100		100
Vehicles	580	575	5
Other Equipment	550	543	7
Juvenile Detention - Contract	172,000	171,952	48

Maintenance -

Building Repairs	9,070	9,061	9
Equipment Repairs	1,600	1,598	2

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

<u>JAIL FUND (CONTINUED)</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Administration			
General Services:			
Dues	\$ 450	\$ 450	\$
Staff Training	500	482	18
Fringe Benefits:			
County Contributions -			
Social Security	18,198	17,910	288
Retirement	16,159	15,577	582
Health Insurance	24,100	24,037	63
Unemployment Insurance	3,306	3,306	
Worker's Compensation	6,928	6,928	
Total Jail Fund	\$ 679,368	\$ 674,851	\$ 4,517
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Capital Outlay</u>			
Data Processing Equipment	\$ 3,000	\$ 2,338	\$ 662
Roads			
Road Maintenance:			
Contracted Services	2,500	2,300	200
Gravel and Haul	12,000	11,901	99
Tile and Pipe	5,500	5,287	213
LGEA Road Maintenance:			
Contracted Services	14,000		14,000
Crushed Stone and Gravel Haul	27,000	20,836	6,164
Tile and Pipe	4,000	3,269	731
Administration			
Contingent Appropriations:			
Reserved for Budget Transfers	2,165		2,165
Total Local Government Economic Assistance Fund	\$ 70,165	\$ 45,931	\$ 23,572

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FORESTRY FUND</u>			
<u>Administration</u>			
Payments to Government Agencies:			
Fire Protection	\$ 3,400	\$ 3,366	\$ 34
Contingent Appropriations:			
Reserve for Budget Transfers	3,596		3,596
Total Forestry Fund	\$ 6,996	\$ 3,366	\$ 3,630
<u>911 FUND</u>			
<u>Protection to Persons and Property</u>			
Emergency Dispatch Service:			
Salaries	\$ 101,400	\$ 98,967	\$ 2,433
Contracted Services	5,600	5,600	
Office Supplies	3,200	3,171	29
Reimbursements	1,860	1,855	5
Training and Conferences	500	272	228
Telephone	36,016	35,831	185
Equipment Repair	7,350	7,140	210
Miscellaneous	40	40	
Communication Equipment	500	290	210
Debt Service:			
Interest on Lease	18,947	18,947	
Contingent Appropriations:			
Reserve for Budget Transfers	141		141
Fringe Benefits:			
County Contributions -			
Social Security	7,450	7,246	204
Retirement	7,500	6,990	510
Health Insurance	11,100	10,817	283
Unemployment Insurance	367	367	
Worker's Compensation	447	447	
Total Operating Budget	202,418	197,980	4,438
Other Financing Uses:			
(C) Capital Lease - Lease Principal	\$ 37,182	\$ 37,182	\$
Total 911 Fund	\$ 239,600	\$ 235,162	\$ 4,438

**WHITLEY COUNTY
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>TOURISM TAX FUND</u>			
Tourism and Conventions:			
Program Support	\$ 6,473	\$ 5,600	\$ 873
Special Projects	20,000	17,929	2,071
Contingent Appropriations:			
Reserve for Budget Transfers	2,902		2,902
Total Operating Budget	<u>\$ 29,375</u>	<u>\$ 23,529</u>	<u>\$ 5,846</u>
Other Financing Uses:			
(D) Transfers to Williamsburg - Whitley County Airport Board Fund	24,527	24,527	
Total Tourism Tax Fund	<u>\$ 53,902</u>	<u>\$ 48,056</u>	<u>\$ 5,846</u>
<u>KENTUCKY COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>			
General Health and Sanitation:			
Construction - Water Lines	\$ 830,813	\$ 768,693	\$ 62,120
Administration - C.V.A.D.D.	35,000	31,000	4,000
Water Lines LMI Service	9,200	9,200	
Contingent Appropriations:			
Reserve for Budget Transfers	250		250
Total Kentucky Community Development Block Grant Fund	<u>\$ 875,263</u>	<u>\$ 808,893</u>	<u>\$ 66,370</u>
<u>COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN FUND</u>			
Economic Development:			
Program Support	\$ 100	\$ 14	\$ 86
Contingent Appropriations:			
Reserve for Budget Transfer	135,691		135,691
Total Community Development Block Grant Revolving Loan Fund	<u>\$ 135,791</u>	<u>\$ 14</u>	<u>\$ 135,777</u>

**WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES (CONTINUED)
 FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Total Operating Budget - All Funds	\$ 6,916,098	\$ 5,524,434	\$ 1,256,002
Other Financing Uses:			
(A) Transfers to Whitley County Public Properties Corporation Fund	376,808	376,807	1
(B) Borrowed Money - Principal	200,000		200,000
(C) Capital Lease - Equipment Lease	37,182	37,182	
(D) Transfers to Williamsburg - Whitley County Airport Board Fund	24,527	24,527	
TOTAL BUDGET - ALL FUNDS	<u>\$ 7,554,615</u>	<u>\$ 5,962,950</u>	<u>\$ 1,456,003</u>

**WHITLEY COUNTY
SCHEDULE OF AIRPORT BOARD EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

Expenditures

Advertising	\$ 5403
Legal	4909
Loan Payment	10315
Fees	154
Engineering	44803
Postage	42
Travel	200
Miscellaneous	189
	<hr/>
Total	<u><u>\$ 66015</u></u>



Evans Mills & Warriner PLLC

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Honorable Michael L. Patrick, County Judge Executive
Members of the Whitley County Fiscal Court
Williamsburg, Kentucky

Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Whitley County, Kentucky as of and for the year ended June 30, 1999, and have issued our report thereon dated December 10, 1999. In our report, we noted Whitley County prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Whitley County, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Governmental Auditing Standards which are described in the accompanying Findings and Questioned Costs.

- The Jailer Should Prepare And Submit A Jail Summary And Reconciliation At Year End

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitley County, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We note no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Evans Mills & Warriner PLLC

Barbourville, Kentucky

December 10, 1999

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**Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over
Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Whitley County, Kentucky with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. Whitley County, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Whitley County, Kentucky's management. Our responsibility is to express an opinion on Whitley County, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Whitley County, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Whitley County, Kentucky's compliance with those requirements.

In our opinion, Whitley County, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of Whitley County, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Whitley County, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Honorable Michael L. Patrick, County Judge Executive
Members of the Whitley County Fiscal Court
Williamsburg, Kentucky
Report On Compliance With Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Evans Mills & Warriner PLLC

Barbourville, Kentucky
December 10, 1999

**WHITLEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Whitley County.
2. No reportable conditions related to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Whitley County were disclosed during the audit.
4. No reportable conditions related to the audit of the major federal awards program is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal award program for Whitley County expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Whitley County are reported in this Schedule.
7. The program tested as a major program was: Community Development Block Grant Program (CFDA #14.228).
8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. Whitley County was not determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

None

NON COMPLIANCES

The Jailer Should Prepare And Submit A Jail Summary And Reconciliation At Year End

The Jailer of Whitley County operates a jail commissary fund. The State and Local Finance Officer has prescribed guidelines for minimum accounting and reporting standards for jail commissary funds. These standards require a Jail Summary and Reconciliation be prepared monthly with a year end report submitted to the County Treasurer. As of June 30, 1999 the year end report had not been filed with the County Treasurer as required. In addition, monthly reconciliation's had not been performed since December 31, 1998.

We recommend the Whitley County Jailer review the record keeping requirements for jail commissary funds and prepare the month end and year end reports as required.

County Judge/Executive's Response:

We will comply.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

WHITLEY COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 1999

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
<u>Cash Programs</u>		
<u>U.S. Department of Housing and Urban Development:</u>		
Passed Through State Department of Local Government:		
Community Development Block Grant - Whitley County Waterline Project (CFDA #14.228)	B-96-DC-21-0001(47)	\$ 808,893
<u>U.S. Federal Emergency Management Agency</u>		
Passed Through State Department Of Military Affairs:		
Disaster and Emergency Assistance Grants - Coordinator Salary (CFDA #10.569)	Not Available	8,592
Disaster Costs (CFDA # Not Available)	Award #1216 DR-KY	105,759
<u>U.S. Department of Commerce - National Oceanic and Atmospheric Administration</u>		
Passed Through Eastern Kentucky PRIDE, Inc.		
PRIDE Grant (CFDA #11.469)	Not Available	19,563
<u>U.S. Department of the Interior</u>		
Passed Through Natural Resources and Environmental Protection Cabinet		
Urban Forestry Grant (CFDA #59.045)	Not Available	1,995
Total Cash Expenditures of Federal Awards		\$ 944,802

See the Notes to the Schedule of Expenditures of Federal Awards.

WHITLEY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 1999

Note 1 - Basis of Presentation

Whitley County complies with OMB Circular A-133 minimum requirements for the schedule of expenditures of federal awards. Federal programs are listed individually by federal agency. Federal awards expended are identified by catalog of domestic assistance numbers or other identifying numbers.

The schedule of expenditures of federal awards is prepared on the same fiscal year as Whitley County.

The schedule of expenditures of federal awards is presented on a cash basis and covers the same fiscal year as Whitley County.

Expenditures for direct costs are recognized as incurred using the cash basis method of accounting and cost accounting principles contained in OMB Circular A-87, Cost Principles For State, Local, and Indian Tribal Governments.

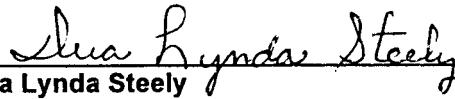
CERTIFICATE OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAM
WHITLEY COUNTY FISCAL COURT

June 30, 1999

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



Michael L. Patrick
County Judge Executive



Iva Lynda Steely
County Treasurer