

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

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Whitley County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$6,624,772 from the beginning of the year, resulting in a cash surplus of \$7,737,996 as of June 30, 2002. This increase was due to the Whitley County Fiscal Court issuing bonds of \$7,800,000 for the construction of a Detention Facility. Of the cash surplus, \$6,909,579 is reserved for the construction of the Detention Facility and future bond requirements. Also, \$329,821 of the cash balance is held in escrow and is to be used for future bond requirements. Operating revenues increased by \$1,197,897 from the prior year and operating disbursements increased by \$1,590,850.

Debt Obligations:

Total long-term debt principal as of June 30, 2002, was \$9,755,000. Future collections of \$16,929,008 are needed over the next 22 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$1,585,447 as of June 30, 2002. Future principal and interest payments of \$1,842,188 are needed to meet these obligations.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	2
WHITLEY COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES.....	10
STATEMENT OF CASH FLOWS- PROPRIETARY FUND TYPE	17
NOTES TO FINANCIAL STATEMENTS	18
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	31
SCHEDULE OF OPERATING REVENUE	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	39
SCHEDULE OF DETENTION FACILITY BOND ISSUE EXPENDITURES.....	43
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	47
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	55
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	59
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	60
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Michael L. Patrick, Whitley County Judge/Executive
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Whitley County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows 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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Whitley County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions of Whitley County, Kentucky, as of June 30, 2002, and the revenues received and expenditures paid, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
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In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2003, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Whitley County, Kentucky. 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 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 stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 28, 2003

WHITLEY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Michael L. Patrick	County Judge/Executive
Nolan Bird	Magistrate
Burley Foley	Magistrate
Johnny Lawson	Magistrate
Mike Howard	Magistrate

Other Elected Officials:

Emby A. McKeehan	County Attorney
Jerry Taylor	Jailer
Tom Rains	County Clerk
Ancil Carter	Sheriff
Ronnie Moses	Property Valuation Administrator
Jimmy Paul	Coroner

Appointed Personnel:

Iva L. Steely	County Treasurer
Judy Brimm	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

WHITLEY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Type			Proprietary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Enterprise	
<u>Assets and Other Resources</u>					
<u>Assets</u>					
Cash and Cash Equivalents	\$ 5,977,029	\$ 124,583	\$ 1,649,516	\$ 561	\$ 7,751,689
Due From Jail Fund				1,204	1,204
Notes Receivable (Note 4)	967				967
Total Assets	<u>\$ 5,977,996</u>	<u>\$ 124,583</u>	<u>\$ 1,649,516</u>	<u>\$ 1,765</u>	<u>\$ 7,753,860</u>
<u>Other Resources</u>					
Amounts to Be Provided in Future Years for:					
Capital Lease (Note 6)	\$ 1,405,000	\$ 180,447	\$	\$	\$ 1,585,447
Bonds Payable:					
1995 Bond Issue (Note 5A)			1,280,460		1,280,460
1997 Bond Issue (Note 5B)			344,719		344,719
Detention Facility Bond Issue (Note 5C)			6,480,305		6,480,305
Total Other Resources	<u>\$ 1,405,000</u>	<u>\$ 180,447</u>	<u>\$ 8,105,484</u>	<u>\$ 0</u>	<u>\$ 9,690,931</u>
Total Assets and Other Resources	<u><u>\$ 7,382,996</u></u>	<u><u>\$ 305,030</u></u>	<u><u>\$ 9,755,000</u></u>	<u><u>\$ 1,765</u></u>	<u><u>\$ 17,444,791</u></u>

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

WHITLEY COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2002
(Continued)

	Governmental Fund Type			Proprietary	Totals
	General	Special Revenue	Debt Service	Fund Types	(Memorandum Only)
<u>Liabilities and Equity</u>					
<u>Liabilities</u>					
Capital Lease (Note 6)	\$ 1,405,000	\$ 180,447	\$	\$	\$ 1,585,447
Bonds:					
Series 1995 (Note 5A)			1,610,000		1,610,000
Series 1997 (Note 5B)			345,000		345,000
Detention Facility Bond Issue (Note 5C)			7,800,000		7,800,000
Due To Jail Canteen	1,204				1,204
Payroll Liabilities	13,693				13,693
Total Liabilities	\$ 1,419,897	\$ 180,447	\$ 9,755,000	\$	\$ 11,355,344
<u>Equity</u>					
Fund Balances:					
Reserved	\$ 5,589,884	\$	\$	\$	\$ 5,589,884
Unreserved	373,215	124,583		1,765	499,563
Total Equity	\$ 5,963,099	\$ 124,583	\$ 0	\$ 1,765	\$ 6,089,447
Total Liabilities and Equity	\$ 7,382,996	\$ 305,030	\$ 9,755,000	\$ 1,765	\$ 17,444,791

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

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

WHITLEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,144,255	\$ 1,197,024	\$ 260,967	\$ 790,380
Other Financing Sources:				
Transfers In	5,841,013	75,000	558,380	
Bond Proceeds				
Receipts - Jail Canteen				
Lease Purchase Proceeds		495,000		
Kentucky Advance Revenue Program	300,000			
Total Cash Receipts	<u>\$ 8,285,268</u>	<u>\$ 1,767,024</u>	<u>\$ 819,347</u>	<u>\$ 790,380</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,362,595	\$ 1,275,455	\$ 836,017	\$ 326,157
Other Financing Uses:				
Schedule of Detention Facility				
Bond Issue Expenditures				
Transfers Out	559,451	289,768		292,010
Expenditures - Jail Canteen				
Bonds:				
Principal Paid				
Interest Paid				
Kentucky Advance Revenue Program Repaid	300,000			
Capital Lease:				
Principal Paid		116,923		
Total Cash Disbursements	<u>\$ 3,222,046</u>	<u>\$ 1,682,146</u>	<u>\$ 836,017</u>	<u>\$ 618,167</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 5,063,222	\$ 84,878	\$ (16,670)	\$ 172,213
Cash Balance - July 1, 2001	608,833	10,233	30,699	5,082
Cash Balance - June 30, 2002 *	<u>\$ 5,672,055</u>	<u>\$ 95,111</u>	<u>\$ 14,029</u>	<u>\$ 177,295</u>

* Cash Balance Includes Investments

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

WHITLEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

General Fund Type		Special Revenue Fund Type			Debt Service Fund Type	
Forestry Fund	911 Fund	Tourism Room Tax Fund	Ambulance Fund	92 E Water Fund	Public Properties Corporation Fund- 1987 Bond Issue	
\$ 3,670	\$ 261,711	\$ 48,321	\$ 719,057	\$	\$	
	41,750		20,000	500		
<u>\$ 3,670</u>	<u>\$ 303,461</u>	<u>\$ 48,321</u>	<u>\$ 739,057</u>	<u>\$ 500</u>	<u>\$ 0</u>	
\$ 3,366	\$ 273,274	\$ 46,923	\$ 655,440	\$	\$	
3,366			27,987		3,200	
	46,172		33,027			
<u>\$ 6,732</u>	<u>\$ 319,446</u>	<u>\$ 46,923</u>	<u>\$ 716,454</u>	<u>\$ 0</u>	<u>\$ 3,200</u>	
\$ (3,062)	\$ (15,985)	\$ 1,398	\$ 22,603	\$ 500	\$ (3,200)	
7,908	38,527	6,988	70,552		3,200	
<u>\$ 4,846</u>	<u>\$ 22,542</u>	<u>\$ 8,386</u>	<u>\$ 93,155</u>	<u>\$ 500</u>	<u>\$ 0</u>	

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

WHITLEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

	Debt Service Fund Type			Entreprise Fund Type
	Public Properties Corporation Fund- 1995 Bond Issue	Public Properties Corporation Fund- 1997 Bond Issue	Detention Facility Bond Issue	Jail Canteen Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 512	\$	\$ 51,744	\$
Other Financing Sources:				
Transfers In	311,661	58,938		
Bond Proceeds			7,800,000	
Receipts - Jail Canteen				93,337
Lease Purchase Proceeds				
Kentucky Advance Revenue Program				
Total Cash Receipts	<u>\$ 312,173</u>	<u>\$ 58,938</u>	<u>\$ 7,851,744</u>	<u>\$ 93,337</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$	\$
Other Financing Uses:				
Schedule of Detention Facility				
Bond Issue Expenditures			300,589	
Transfers Out			5,731,460	
Expenditures - Jail Canteen				94,669
Bonds:				
Principal Paid	230,000	40,000		
Interest Paid	81,661	18,938		
Kentucky Advance Revenue Program Repaid				
Capital Lease:				
Principal Paid			500,000	
Total Cash Disbursements	<u>\$ 311,661</u>	<u>\$ 58,938</u>	<u>\$ 6,532,049</u>	<u>\$ 94,669</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 512	\$	\$ 1,319,695	\$ (1,332)
Cash Balance - July 1, 2001	<u>329,028</u>	<u>281</u>	<u></u>	<u>1,893</u>
Cash Balance - June 30, 2002 *	<u>\$ 329,540</u>	<u>\$ 281</u>	<u>\$ 1,319,695</u>	<u>\$ 561</u>

* Cash Balance Includes Investments

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

WHITLEY COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2002
(Continued)

Total
(Memorandum Only)

\$	5,477,641
	6,907,242
	7,800,000
	93,337
	495,000
	300,000
<hr/>	
\$	21,073,220

\$	5,779,227
	300,589
	6,907,242
	94,669
	270,000
	100,599
	300,000
	696,122
<hr/>	
\$	14,448,448

\$	6,624,772
	1,113,224
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\$	7,737,996
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The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH
FLows-PROPRIETARY FUND TYPE

WHITLEY COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u> <u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 93,337
Operating Disbursements	<u>(94,669)</u>
Net Cash (Used) By Operating Activities	<u>\$ (1,332)</u>
Cash and Cash Equivalents - Beginning	<u>\$ 1,893</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 561</u></u>

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The Public Properties Corporation Fund is a legally separate entity established to provide long-term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the Fiscal Court.

Additional - Whitley County Constitutional Elected Officials

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

The Kentucky constitution provides for election of the above officials 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.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. 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. Whitley County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Whitley County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund and the Forestry Fund.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Whitley County Special Revenue Fund Type includes the following county funds: 911 Fund, Tourism Room Tax Fund, Ambulance Fund and the 92 E Water Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund – 1987 Bond Issue, Public Properties Corporation Fund – 1995 Bond Issue, Public Properties Corporation Fund – 1997 Bond Issue and the Detention Facility Bond Issue. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report activity for which a fee is charged to external users for goods or services. The Whitley County Enterprise Fund Type includes the jail canteen fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Whitley County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

Formal budgets are not adopted for the Public Properties Corporation Fund – 1987 Bond Issue, Public Properties Corporation Fund – 1995 Bond Issue, Public Properties Corporation Fund – 1997 Bond Issue, and the Detention Facility Bond Issue (Debt Service Funds) because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Cash Equivalents 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 3), investments exclude certificates of deposit.

For the purpose of the statement of cash flows, the county considers all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. 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).

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Related Organizations

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 Highway Water District.

G. Jointly Governed Organization

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.

The Williamsburg/Whitley County Airport Board appears to be a joint venture between the City of Williamsburg and the Whitley County Fiscal Court. According to the ordinance establishing the board, the airport board is a jointly governed organization which should have an audit completed yearly. The Williamsburg/Whitley County Airport Board is legally separate from the Whitley County Fiscal Court and the City of Williamsburg. The Whitley County Fiscal Court appoints three of the six board members. The City of Williamsburg appoints the other three board members. Both entities must have their appointments approved by the other. The Whitley County Fiscal Court is not financially accountable for the Williamsburg/Whitley County Airport. The County has established a tourism tax that is paid to the airport board for operating receipts. The county has also purchased land for the airport board. The Airport Board is also receiving funds for the development of the airport. After the airport is constructed, the airport will be receiving funds from hanger rentals and the sale of fuel cells, as well as the tourism taxes. In our prior year audit, we disclosed the Williamsburg/Whitley County Airport Board as a discretely presented component unit.

Note 2. Employee Retirement System

The county 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 multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

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.

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.

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 3. Deposits and Investments

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and 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, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivable

An Agreed Order of Adequate Protection with 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. However, Transcare Ambulance Service, Inc. is not in compliance with terms of the order. The balance was \$967 as of June 30, 2002.

Note 5. Long Term Debt

A. 1995 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation – 1995 Bond Issue are \$1,610,000. These refunding revenue bonds dated September 1, 1995, were 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. 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 on the last principal date of May 1, 2007. The following schedule of debt service requirements has been adjusted to reflect the debt service activity.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 89,492	\$ 235,000
2004	77,155	245,000
2005	63,925	255,000
2006	49,900	275,000
2007	34,500	600,000
Totals	<u>\$ 314,972</u>	<u>\$ 1,610,000</u>

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 5. Long Term Debt (Continued)

B. 1997 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation – 1997 Bond Issue are \$345,000. These refunding revenue bonds dated November 1, 1997, were issued for the purpose of road construction and repair. Principal payments are due each year on November 1, in the amounts indicated below. Interest on the bonds is payable each May 1 and November 1.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 16,813	\$ 45,000
2004	14,563	45,000
2005	12,313	45,000
2006	9,875	50,000
2007	7,237	50,000
2008-2009	5,927	110,000
Totals	<u>\$ 66,728</u>	<u>\$ 345,000</u>

C. Detention Facility Bond Issue

Bonds outstanding of the Whitley County Detention Facility Bond Issue are \$7,800,000. These General Obligation Bonds dated April 9, 2002, were issued for the purpose of financing the acquisition, construction, and equipping of a new detention center facility. Principal payments are due each year beginning on April 1, 2005, in the amounts indicated below. Interest on the bonds is payable each October 1 and April 1, beginning October 1, 2002.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 398,239	\$
2004	398,239	
2005	398,239	115,000
2006	392,489	125,000
2007	386,239	130,000
2008-2012	1,827,945	745,000
2013-2017	1,621,445	955,000
2018-2022	1,357,572	1,220,000
2023-2027	1,015,581	1,555,000
2028-2032	570,700	2,000,000
2033-2034	75,136	955,000
Totals	<u>\$ 8,441,824</u>	<u>\$ 7,800,000</u>

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 6. Capital Leases

A. 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 required eighty-four (84) payments of \$4,677 beginning September 15, 1997, and ending September 15, 2004. The unpaid balance was \$112,243 as of June 30, 2002.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 6,501	\$ 49,629
2004	2,786	53,343
2005	84	9,271
Totals	<u>\$ 9,371</u>	<u>\$ 112,243</u>

B. Whitley County entered into a capital lease agreement totaling \$730,000 with the Kentucky Area Development District during May 2001. The purpose of the lease agreement is to provide interim financing totaling \$500,000 for the new detention facility project and interim financing totaling \$230,000 for the new justice center and roof repair project. Terms of the agreement stipulate a one-year repayment schedule to be paid by the issuance of bonds. As of June 30, 2002, the lease was paid in full.

C. On April 18, 2002, Whitley County entered into a \$765,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the acquisition of land for a new airport facility. Terms of the agreement stipulate a ten-year repayment schedule, with variable semi-annual interest payments and variable annual principal payments. The county expects to repay the lease from rental payments made to the county from the Kentucky Department of Transportation. The County is in reliance upon these rental payments to meet the debt service requirements for the lease. Principal payments are due each year beginning on May 30, 2003 in the amounts indicated below. Interest on the lease is payable each November 20 and May 20, beginning November 20, 2002.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 36,978	\$ 60,000
2004	30,932	65,000
2005	28,657	70,000
2006	26,032	70,000
2007	23,057	75,000
2008-2012	<u>63,042</u>	<u>425,000</u>
Totals	<u>\$ 208,698</u>	<u>\$ 765,000</u>

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

D. On May 31, 2002, Whitley County entered into a \$235,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the purpose of refinancing a portion of a Kentucky Area Development Lease dated May 2001 in the amount of \$730,000. The Lease requires two interest payments to be made on October 20, 2002, and April 20, 2003. One principal payment is due April 20, 2003. The lease ends April 20, 2003. As of June 30, 2002, the principal balance was \$235,000.

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 8,535	\$ 235,000
Totals	<u>\$ 8,535</u>	<u>\$ 235,000</u>

E. On February 8, 2000, Whitley County entered into a \$39,900 lease agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of an ambulance. The agreement requires variable monthly payments for 48 months to be paid in full December 20, 2003. The principal balance of the agreement was \$15,451 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 455	\$ 10,373
2004	389	5,078
Totals	<u>\$ 844</u>	<u>\$ 15,451</u>

F. On February 2, 2001, Whitley County entered into a \$77,095 lease agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of ambulances. The agreement requires variable monthly payments for 48 months to be paid in full February 20, 2005. The principal balance of the agreement was \$52,753 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 1,806	\$ 19,127
2004	1,007	19,906
2005	213	13,720
Totals	<u>\$ 3,026</u>	<u>\$ 52,753</u>

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 6. Capital Leases (Continued)

G. On October 24, 2001, Whitley County entered into a \$495,000 lease agreement with the Kentucky Association of Counties Leasing Trust Program for road paving projects. The agreement requires variable monthly payments for 60 months to be paid in full January 20, 2006. The principal balance of the agreement was \$405,000 as of June 30, 2002. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Interest	Principal
2003	\$ 11,145	\$ 95,000
2004	8,184	100,000
2005	5,070	105,000
2006	<u>1,868</u>	<u>105,000</u>
Totals	<u>\$ 26,267</u>	<u>\$ 405,000</u>

Note 7. Reserved Cash Balance

\$5,589,884 of the General Fund cash balance as of June 30, 2002 is reserved for detention facility construction. The ending cash balance was \$5,672,055 as of June 30, 2002. This leaves \$82,171 as available cash balance for the General Fund.

Note 8. Insurance

For the fiscal year ended June 30, 2002, 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. Interfund Transfer Receivable

The jail canteen purchased \$1,204 of items, a washer and dryer, a deep fryer, kitchen utensils, a fax machine, and new locks for the jail. These expenses were not for the benefit or recreation of the prisoners. They were for normal jail operations and should have been paid by the jail fund. Since these expenditures did not meet requirements for jail canteen expenditures, the jail canteen is due \$1,204 from the Jail Fund for reimbursement.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 10. Legal Actions Pending

A. The Whitley County Fiscal Court is a defendant in a legal action styled Walker v. Taylor. This is a claim by the family of a former jail inmate who is now deceased for deliberate indifference by the jail staff causing death. The case is currently in Federal Court with a trial date of January 12, 2004. The Plaintiffs are demanding \$700,000 to settle the legal action. The County's insurance carrier has retained legal counsel to represent the County and is of the opinion that the likelihood of an unfavorable outcome would be at less than fifty percent, and if a verdict is rendered in Federal Court, the amount or range of potential loss could be up to \$250,000.

B. The Whitley County Fiscal Court is a defendant in a legal action styled Anita Kelly & Teresa Fulton vs. Whitley County, Kentucky; Jerry Taylor, in his individual capacity and in his official capacity as the Whitley County Jailor; and Larry Taylor, United States District Court, for the Eastern District of Kentucky, at London, Civil Action No. 00-38. Plaintiffs allege a violation of their civil rights due to sexual harassment, a retaliatory termination of their employment, wrongful termination including a violation of Kentucky's Whistle Blower Statute. This claim was tried before a jury in September 2002, and a jury returned a verdict in favor of the plaintiffs. The judgment was in favor of the two plaintiffs, which damages awarded to the plaintiffs are comprised in part by compensatory damages, which were comprised of some past lost wages, some future lost wages, and some components for embarrassment and humiliation. These compensatory damages equated to a total for both plaintiffs of \$250,000. Additionally, the court has granted plaintiff's attorney's fees in an amount of nearly \$350,000. The court has ruled that the defendants satisfy both the \$250,000 compensatory damages and \$350,000 attorney fees awarded for a total obligation of approximately \$600,000. Subsequently, the Whitley County Fiscal Court has satisfied the judgment rendered by the District Court. The County's insurer has been notified of the ruling and has been requested to advise the County of the insurer's intention with respect to replacement of the funds.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 9,032,931	\$ 2,144,255	\$ (6,888,676)
Road and Bridge Fund	1,763,919	1,197,024	(566,895)
Jail Fund	810,275	260,967	(549,308)
Local Government Economic Assistance Fund	1,128,868	790,380	(338,488)
Forestry Fund	634	3,670	3,036
<u>Special Revenue Fund Type</u>			
911 Fund	282,104	261,711	(20,393)
Tourism Room Tax Fund	42,400	48,321	5,921
Ambulance Fund	805,370	719,057	(86,313)
92 E Water Fund	1,000,500		(1,000,500)
<u>Debt Service Fund Type</u>			
Public Properties Corporation Fund - 1995 Bond Issue		512	512
Detention Facility Bond Issue		51,744	51,744
Totals	<u>\$ 14,867,001</u>	<u>\$ 5,477,641</u>	<u>\$ (9,389,360)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 14,867,001
Add: Budgeted Prior Year Surplus			778,824
Less: Other Financing Uses			<u>(777,410)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 14,868,415</u>

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SCHEDULE OF OPERATING REVENUE

WHITLEY COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPE			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 1,177,819	\$ 938,720	\$ 239,099	\$
In Lieu Tax Payments	115,366	115,366		
Excess Fees	187,033	187,033		
Licenses and Permits	14,856	14,856		
Intergovernmental Revenues	3,018,196	2,940,192	78,004	
Charges for Services	753,488	46,280	707,208	
Miscellaneous Revenues	104,196	101,805	2,391	
Interest Earned	106,687	52,044	2,387	52,256
Total Operating Revenue	\$ 5,477,641	\$ 4,396,296	\$ 1,029,089	\$ 52,256

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 597,765	\$ 626,472	\$ (28,707)
Protection to Persons and Property	695,570	783,974	(88,404)
General Health and Sanitation	2,237,250	1,005,939	1,231,311
Social Services	2,500	13,094	(10,594)
Roads	1,360,080	1,159,877	200,203
Debt Service	32,200	15,259	16,941
Capital Projects	6,820,299	553,234	6,267,065
Administration	981,720	645,741	335,979
 Total Operating Budget - General Fund Type	 \$ 12,727,384	 \$ 4,803,590	 \$ 7,923,794
Other Financing Uses:			
Transfers to Public Property			
Corporation Fund			
Principal	230,000	270,000	(40,000)
Interest	25,077	100,599	(75,522)
Kentucky Advance Revenue Program			
Principal	300,000	300,000	
Capital Lease Agreement-			
Principal on Lease	116,923	116,923	
 TOTAL BUDGET - GENERAL FUND TYPE	 <u>\$ 13,399,384</u>	 <u>\$ 5,591,112</u>	 <u>\$ 7,808,272</u>

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 803,779	\$ 738,578	\$ 65,201
General Health and Sanitation	1,000,250		1,000,250
Recreation and Culture	43,170	46,923	(3,753)
Debt Service		13,552	(13,552)
Administration	293,832	176,584	117,248
Total Operating Budget - Special Revenue Fund Type	\$ 2,141,031	\$ 975,637	\$ 1,165,394
Other Financing Uses:			
KACO Leasing Trust Equipment Lease- Principal	105,410	79,199	26,211
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,246,441</u>	<u>\$ 1,054,836</u>	<u>\$ 1,191,605</u>

SCHEDULE OF DETENTION FACILITY BOND ISSUE EXPENDITURES

WHITLEY COUNTY
SCHEDULE OF DETENTION FACILITY BOND ISSUE EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>Detention Facility Bond Issue</u>
Trustee Fees	\$ 6,500
Bond Counsel	20,000
Financial Consulting	104,500
Underwriter's Discount	154,833
Capital Lease:	
Interest Paid	<u>14,756</u>
Totals	<u>\$ 300,589</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Michael L. Patrick, Whitley County Judge/Executive
Members of the Whitley County Fiscal Court

**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, 2002, and have issued our report thereon dated August 28, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Whitley County'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Whitley County'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 noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



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

This report is intended solely for the information and use of management and the federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

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

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 28, 2003

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Debra Eucker, Commissioner, Department of Law, Revenue Cabinet
Honorable Michael L. Patrick, Whitley County Judge/Executive
Members of the Whitley County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On 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, 2002. Whitley County'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's management. Our responsibility is to express an opinion on Whitley County's compliance based on our audit.

We conducted our audit of compliance 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 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'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 of Whitley County's compliance with those requirements.

In our opinion, Whitley County 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, 2002.



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

Internal Control Over Compliance

The management of Whitley County 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'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.

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 of 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 solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 28, 2003

FINDINGS AND QUESTIONED COSTS

WHITLEY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Whitley County.
2. No reportable conditions relating 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 relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Whitley County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Whitley County reported in Part C of this schedule.
7. The program tested as a major program was: Severe Weather – FEMA.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Whitley County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

NONCOMPLIANCES

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WHITLEY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>National Oceanic and Atmospheric Administration</u>		
Passed-Through Eastern Kentucky PRIDE, Inc.:		
PRIDE Community Grant Program-		
Fall 2000 Cleanup	Whitley CF-0050	\$ 36,934
2001 Cleanup (CFDA #11.469)	Whitley CF01-45	32,871
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
JAIBG Program	2000 JBVX-0021(202)	35,340
(CFDA #16.unknown)	2001 JBVX-0021(202)	16,806
<u>U. S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants-Coordinator Salary		
(CFDA #83.503)	Not Available	6,050
Severe Weather-	FEMA 1388-DR-KY	38,719
(CFDA #83.544)	FEMA 1407-DR-KY	174,500
(CFDA #83.544)		<u>174,500</u>
Total Cash Expenditures of Federal Awards		<u>\$ 341,220</u>

WHITLEY COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Whitley County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

Appendix

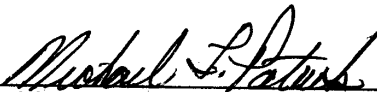
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

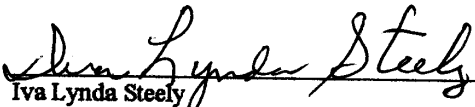
WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

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

