



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

Fiscal Year Ended June 30, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Auditor of Public Accounts has completed the Whitley County Fiscal Court audit for fiscal year ended June 30, 2000. 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 (Primary Government and Component Unit Combined):

Fund balances decreased by \$900,365 from the prior fiscal year, resulting in a cash surplus of \$814,139 as of June 30, 2000. Revenues decreased by \$3,264,745 from the prior year and disbursements decreased by \$1,392,082.

Debt Obligations:

Total bonded debt principal (primary government) as of June 30, 2000, was \$2,485,000. Future collections of \$2,794,523 are needed over the next 9 years to pay all bonded debt principal and interest.

Capital lease principal agreements (primary government) totaled \$201,372 as of June 30, 2000. Future principal and interest payments of \$233,872 are needed to meet the obligation.

Long-term notes payable for the Williamsburg-Whitley County Airport Board (Component Unit) totaled \$148,697 as of June 30, 2000. Future principal and interest payments of \$247,878 are needed to meet the obligation.

Deposits:

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

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, 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 fund balances arising from cash transactions of Whitley County, Kentucky, as of June 30, 2000, 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 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. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a 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 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 fund balances arising primarily from cash transactions as of June 30, 2000, of Whitley County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
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Members of the Whitley County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2001, 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. 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 -
July 12, 2001

WHITLEY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

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
Gary Barton	Circuit Court Clerk
Ancil Carter	Sheriff
Ronnie Moses	Property Valuation Administrator
Carl Paul	Coroner

Appointed Personnel:

Iva L. Steely	County Treasurer
Judy Brimm	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

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

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 186,604	
Receivable (Note 4-C)	10,764	
Receivable (Note 4-D)	10,674	
Receivable (Note 4-E)	38,247	
Receivable (Note 4-F)	1,707	
Road and Bridge Fund:		
Cash	22,312	
Jail Fund:		
Cash	4,360	
Local Government Economic Assistance Fund:		
Cash	12,183	
Forestry Fund:		
Cash	7,217	
Payroll Revolving Account - Cash	9,429	\$ 303,497

Special Revenue Fund Type

911 Fund:		
Cash	\$ 18,154	
Community Development Block Grant Revolving Loan Fund:		
Cash	181,879	
Tourism Room Tax Fund:		
Cash	6,842	\$ 206,875

Debt Service Fund Type

Public Properties Corporation Fund - 1987 Bond Issue:		
Cash	\$ 3,200	
Public Properties Corporation Fund - 1995 Bond Issue:		
Cash	327,465	

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

WHITLEY COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2000
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Debt Service Fund Type (Continued)

Public Properties Corporation Fund - 1997 Bond Issue:

Cash	281	\$ 330,946
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Component Unit

Williamsburg - Whitley County Airport Board Fund:

Cash	\$ 43,642	
Receivable (Note 4-G)	64	\$ 43,706

Total Assets		\$ 885,024
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Other Resources

Special Revenue Fund Type

911 Fund: (Note 7)

Amounts to be Provided in Future Years for Capital Lease Payments		\$ 183,218
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Debt Service Fund Type

Public Properties Corporation Fund - 1995 Bond Issue: (Note 5-A)

Amounts to be Provided in Future Years for Bond Payments	\$ 1,732,535	
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Public Properties Corporation Fund - 1997 Bond Issue: (Note 5-B)

Amounts to be Provided in Future Years for Bond Payments	424,719	\$ 2,157,254
----------------------------------------------------------	---------	--------------

Component Unit

Williamsburg - Whitley County Airport Board: (Note 5-C)

Amounts to be Provided in Future Years for Long-Term Note Payable		\$ 105,055
-------------------------------------------------------------------	--	------------

Total Assets and Other Resources		<u>\$ 3,330,551</u>
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The accompanying notes are an integral part of the financial statements.

WHITLEY COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Deferred Revenue (Note 4-C)	\$	10,764	
Deferred Revenue (Note 4-D)		10,674	
Deferred Revenue (Note 4-E)		38,247	
Deferred Revenue (Note 4-F)		1,707	
Payroll Revolving Account - Cash		<u>9,429</u>	\$ 70,821

Special Revenue Fund Type

911 Fund:

Capital Lease (Note 7)			\$ 201,372
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Debt Service Fund Type

Public Properties Corporation Fund - 1995 Bond Issue:

Bonds Payable (Note 5-A)	\$	2,060,000	
Public Properties Corporation Fund - 1997 Bond Issue:			
Bonds Payable (Note 5-B)		<u>425,000</u>	\$ 2,485,000

Component Unit

Williamsburg - Whitley County Airport Board:

Long-term Note (Note 5-C)	\$	148,697	
Deferred Revenue (Note 4-G)		<u>64</u>	\$ 148,761

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

WHITLEY COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2000
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

Reserved:

General Fund Type

Forestry Fund		\$	7,217
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Special Revenue Fund Type

Tourism Room Tax Fund	\$	6,842	
Community Development Block Grant Revolving Loan Fund		<u>181,879</u>	\$ 188,721

Debt Service Fund Type

Public Properties Corporation Fund - 1987 Bond Issue: Reserve Balance			\$ 3,200
--------------------------------------------------------------------------	--	--	----------

Unreserved:

General Fund Type

General Fund	\$	186,604	
Road and Bridge Fund		22,312	
Jail Fund		4,360	
Local Government Economic Assistance Fund		<u>12,183</u>	\$ 225,459

Total Liabilities and Fund Balances			<u>\$ 3,330,551</u>
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The accompanying notes are an integral part of the financial statements.

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

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

Fiscal Year Ended June 30, 2000

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 1,650,054	\$ 1,114,351	\$ 232,722	\$ 245,671
Transfers In	195,250	215,000	455,886	
Borrowed Money				
Williamsburg - Whitley County Airport Board Receipts				
<u>Total Cash Receipts</u>	<u>\$ 1,845,304</u>	<u>\$ 1,329,351</u>	<u>\$ 688,608</u>	<u>\$ 245,671</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 1,901,774	\$ 905,918	\$ 700,632	\$ 111,111
Transfers Out	733,207	409,139		161,000
Other Financing Uses:				
Capital Lease - 911 Fund Equipment				
Bonds:				
Principal Paid				
Interest Paid				
Williamsburg - Whitley County Airport Board Expenditures				
<u>Total Cash Disbursements</u>	<u>\$ 2,634,981</u>	<u>\$ 1,315,057</u>	<u>\$ 700,632</u>	<u>\$ 272,111</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (789,677)	\$ 14,294	\$ (12,024)	\$ (26,440)
Cash Balance - July 1, 1999	976,281	8,018	16,384	38,623
<u>Cash Balance - June 30, 2000</u>	<u>\$ 186,604</u>	<u>\$ 22,312</u>	<u>\$ 4,360</u>	<u>\$ 12,183</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
 Fiscal Year Ended June 30, 2000
 (Continued)

General Fund Type		Special Revenue Fund Type		
Forestry Fund	911 Fund	Tourism Room Tax Fund	Community Development Block Grant Revolving Loan Fund	Kentucky Community Development Block Grant Fund
\$ 4,264	\$ 187,711 66,950	\$ 43,842	\$ 42,846	\$ 4,000
<u>\$ 4,264</u>	<u>\$ 254,661</u>	<u>\$ 43,842</u>	<u>\$ 42,846</u>	<u>\$ 4,000</u>
\$ 3,366	\$ 215,052 39,965	\$ 43,702	\$ 998	\$ 66,120 250
<u>\$ 3,366</u>	<u>\$ 255,017</u>	<u>\$ 43,702</u>	<u>\$ 998</u>	<u>\$ 66,370</u>
\$ 898 6,319	\$ (356) 18,510	\$ 140 6,702	\$ 41,848 140,031	\$ (62,370) 62,370
<u>\$ 7,217</u>	<u>\$ 18,154</u>	<u>\$ 6,842</u>	<u>\$ 181,879</u>	<u>\$</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
Fiscal Year Ended June 30, 2000
(Continued)

	<u>Debt Service Fund Type</u>			
	Public Properties Corporation Fund - 1987 Bond Issue	Public Properties Corporation Fund - 1995 Bond Issue	Public Properties Corporation Fund - 1997 Bond Issue	Total - Primary Government (Memo Only)
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$	\$ 20,355	\$	\$ 3,545,816
Transfers In		312,741	57,769	1,303,596
Borrowed Money				
Williamsburg - Whitley County Airport Board Receipts				
Total Cash Receipts	<u>\$</u>	<u>\$ 333,096</u>	<u>\$ 57,769</u>	<u>\$ 4,849,412</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$	\$	\$ 3,904,971
Transfers Out				1,347,298
Other Financing Uses:				
Capital Lease - 911 Fund Equipment				39,965
Bonds:				
Principal Paid		210,000	35,000	245,000
Interest Paid		122,302	22,769	145,071
Williamsburg - Whitley County Airport Board Expenditures				
Total Cash Disbursements	<u>\$</u>	<u>\$ 332,302</u>	<u>\$ 57,769</u>	<u>\$ 5,682,305</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$	\$ 794	\$	\$ (832,893)
Cash Balance - July 1, 1999	<u>3,200</u>	<u>326,671</u>	<u>281</u>	<u>1,603,390</u>
Cash Balance - June 30, 2000	<u>\$ 3,200</u>	<u>\$ 327,465</u>	<u>\$ 281</u>	<u>770,497</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
Fiscal Year Ended June 30, 2000
(Continued)

<u>Component Unit</u>		<u>Total - Reporting Entity (Memo Only)</u>
Williamsburg -		
Whitley		
County		
Airport		
Board Fund		
	\$ 3,545,816	
43,702	1,347,298	
150,000	150,000	
<u>6,034</u>	<u>6,034</u>	
<u>\$ 199,736</u>	<u>\$ 5,049,148</u>	
	\$ 3,904,971	
	1,347,298	
	39,965	
	245,000	
	145,071	
<u>293,396</u>	<u>293,396</u>	
<u>\$ 293,396</u>	<u>\$ 5,975,701</u>	
\$ (93,660)	\$ (926,553)	
<u>137,302</u>	<u>1,740,692</u>	
<u>\$ 43,642</u>	<u>\$ 814,139</u>	

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

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 – 1987, 1995, and 1997 Bond Issue, and the Williamsburg-Whitley County Airport Board as part of the reporting entity.

The Public Properties Corporation (the Corporation) 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 will be blended with that of the Fiscal Court.

The Williamsburg-Whitley County Airport Board (the Board) is a legally separate entity established to provide airport services for Whitley County. The fiscal court appoints half of the members of the board, which are different from that of the Fiscal Court. However, the Fiscal Court is financially accountable for the Board because the board is dependent upon the fiscal court. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court, therefore the financial activity of the Board will be presented discretely.

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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 (LGEA), and Forestry Fund.

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 911 Fund, Tourism Room Tax Fund, Kentucky Community Development Block Grant Fund, and Community Development Block Grant Revolving Loan Fund of the Fiscal Court are reported as a Special Revenue Fund Types.

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, and the Public Properties Corporation Fund - 1997 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.

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, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 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, and the Public Properties Corporation Fund - 1997 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.

Formal budgets are not adopted by the Williamsburg-Whitley County Airport Board because this entity is a component unit of the fiscal court. The fiscal court appoints half of the airport board and the entity is financially dependent upon the Whitley County Fiscal Court. The fiscal court has no other authority over the airport board. We have included this entity as a component unit on the county's financial statements.

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 3), investments exclude certificates of deposit.

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, 2000
(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.

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 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 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. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

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 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, 2000, 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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

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. paid off the loan on December 9, 1999. During the current audit period, Mountain Lifeline, Inc. made total payments consisting of \$2,639 in principal and \$33 in interest resulting in a \$0 balance at June 30, 2000.

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. Lion Uniform Center paid off the loan agreement on April 19, 2000, with a payment of \$31,291 in principal and \$1,116 in interest, resulting in a \$0 balance at June 30, 2000.

C. On June 25, 1997, Whitley County entered into an agreement with Mountain Lifeline, Inc. to lease an ambulance unit as well as additional equipment. 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 \$10,764 as of June 30, 2000.

D. On June 30, 1998, Whitley County entered into an agreement with Mountain Lifeline, Inc. to lease an ambulance unit as well as additional equipment. 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 \$10,674 as of June 30, 2000.

E. On February 22, 2000, Whitley County entered into an agreement with Mountain Lifeline, Inc. to lease an ambulance unit, including additional equipment for a principal balance of \$41,724. The terms of the agreement require the county to receive \$869 per month for forty-eight (48) months, with no interest as long as payments are made timely. The unpaid balance due the county was \$38,247 as of June 30, 2000.

F. 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 \$1,707 as of June 30, 2000.

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 4. Receivables (Continued)

G. 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 is \$64 as of June 30, 2000.

Note 5. Long-Term Debt

A. 1995 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation - 1995 Bond Issue are \$2,060,000 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 \$310,000. 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 reserve activity.

<u>Fiscal Year Ended June 30</u>	<u>Interest Rate</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	5.00	\$ 112,223	\$ 220,000
2002	5.10	101,223	230,000
2003	5.25	89,492	235,000
2004	5.40	77,155	245,000
2005	5.50	63,925	255,000
2006 - 2007	5.60 to 5.75	<u>84,400</u>	<u>875,000</u>
Totals		<u>\$ 528,418</u>	<u>\$ 2,060,000</u>

B. 1997 Bond Issue

Bonds outstanding of the Whitley County Public Properties Corporation - 1997 Bond Issue are \$425,000 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.

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 5. Long-Term Debt (Continued)

B. 1997 Bond Issue (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Interest Rate</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	5.00	\$ 20,938	\$ 40,000
2002	5.00	18,938	40,000
2003	5.00	16,813	45,000
2004	5.00	15,687	45,000
2005	5.00	13,437	45,000
2006 - 2009	5.25 to 5.40	23,038	210,000
Totals		<u>\$ 108,851</u>	<u>\$ 425,000</u>

C. Airport Board Note Payable

The Williamsburg-Whitley County Airport Board entered into a loan agreement with Town & Country Bank for \$150,000 on March 30, 2000, for the purchase of land. Terms of the agreement require 180 monthly payments of \$1,400 at 7.5% interest. The unpaid balance was \$148,697 as of June 30, 2000.

<u>Fiscal Year Ended June 30</u>	<u>Interest Rate</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2001	7.50	\$ 11,114	\$ 5,691
2002	7.50	10,666	6,139
2003	* 7.50	10,182	6,623
2004	* 7.50	9,688	7,118
2005	* 7.50	9,100	7,705
2006 to 2015	* 7.50	48,431	115,421
Totals		<u>\$ 99,181</u>	<u>\$ 148,697</u>

* Interest rate may change after 4-1-2003

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2000
 (Continued)

Note 6. Lease-Purchase Agreements

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

Description	Periodic Payment	Terms of Agreement	Ending Date	Principal Balance June 30, 2000
Ambulance	\$ 1,404	20 Quarters	August 1, 2001	\$ 6,620
Ambulance	\$ 448	48 Months	May 2, 2002	\$ 9,653
Ambulance	Variable	48 Months	February 20, 2004	\$ 34,797
Dump Trucks	\$ 14,372	11 Semi-annual	December 1, 2001	\$ 41,000
Motor Grader	\$ 38,340	48 Months	October 15, 2001	\$ 49,012

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 was \$201,372 as of June 30, 2000.

Fiscal Year Ending June 30	Interest Rate	Scheduled Interest	Scheduled Principal
2001	6.03	\$ 13,172	\$ 42,957
2002	6.03	9,957	46,172
2003	6.03	6,501	49,629
2004	6.03	2,786	53,343
2005	6.03	84	9,271
Totals		\$ 32,500	\$ 201,372

Note 8. Subsequent Events

In January 2001, Mountain Lifeline Ambulance Service ceased operations in Whitley County. On January 23, 2001, Whitley County Fiscal Court declared a State of Emergency relating to ambulance service protection and the court created a new Whitley County Ambulance Service Department.

Note 9. Insurance

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2000
(Continued)

For the fiscal year ended June 30, 2000, Whitley County was a member of the Kentucky Association 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' 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 10. Jail Canteen Fund

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

During the Fiscal Year Ending June 30, 2000, the Whitley County Jail Canteen received \$75,576 and expended \$75,268. The Jail Canteen had a June 30 ending balance of \$1,239 and \$1,547 for 1999 and 2000, respectively.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

Budgeted Funds	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 1,621,262	\$ 1,650,054	\$ 28,792
Road and Bridge Fund	1,249,969	1,114,351	(135,618)
Jail Fund	246,491	232,722	(13,769)
Local Government Economic Assistance Fund	250,620	245,671	(4,949)
Forestry Fund	3,600	4,264	664
<u>Special Revenue Fund Type</u>			
911 Fund	181,000	187,711	6,711
Tourism Room Tax Fund	37,000	43,842	6,842
Community Development Block Grant - Revolving Loan Fund	19,000	42,846	23,846
Kentucky Community Development Block Grant Fund	66,120	4,000	(62,120)
Totals	\$ 3,675,062	\$ 3,525,461	\$ (149,601)
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,675,062
Add: Budgeted Prior Year Surplus			1,273,237
Less: Transfer to Public Property Corporation			
Bond Fund			(371,780)
KACO Leasing Trust Equipment Lease - Principal			(40,000)
Transfer to Williamsburg-Whitley County Airport Board Fund			(43,702)
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			\$ 4,492,817

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SCHEDULE OF OPERATING REVENUE

WHITLEY COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 1,254,951	\$ 1,024,942	\$ 230,009	\$
In Lieu Tax Payments	36,073	36,073		
Excess Fees	188,850	188,850		
License and Permits	39,341	39,341		
Intergovernmental Revenues	1,831,795	1,827,795	4,000	
Charges for Services	13,848	13,848		
Miscellaneous Revenues	122,842	87,478	35,364	
Interest Earned	58,116	28,735	9,026	20,355
	<u>\$ 3,545,816</u>	<u>\$ 3,247,062</u>	<u>\$ 278,399</u>	<u>\$ 20,355</u>
Total Operating Revenue	<u>\$ 3,545,816</u>	<u>\$ 3,247,062</u>	<u>\$ 278,399</u>	<u>\$ 20,355</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

WHITLEY COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 645,970	\$ 615,872	\$ 30,098
Protection to Persons and Property	769,514	739,681	29,833
General Health and Sanitation	84,950	82,782	2,168
Social Services	12,400	9,990	2,410
Recreation and Culture	2,000	2,000	
Roads	965,800	844,386	121,414
Debt Service	85,325	83,616	1,709
Capital Projects	773,050	772,513	537
Administration	639,829	471,961	167,868
Total Operating Budget - All General Fund Type	\$ 3,978,838	\$ 3,622,801	\$ 356,037
Other Financing Uses:			
Transfers to Public Property			
Corporation Bond Fund-			
Principal	245,000	245,000	
Interest	126,780	125,510	1,270
Borrowed Money-			
Notes	100,000		100,000
TOTAL BUDGET - ALL GENERAL FUND TYPE	\$ 4,450,618	\$ 3,993,311	\$ 457,307

WHITLEY COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 2000
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,000	\$ 998	\$ 1,002
Protection to Persons and Property	178,125	170,143	7,982
General Health and Sanitation	66,120	66,120	
Debt Service	16,200	16,164	36
Administration	251,534	28,745	222,789
Total Operating Budget - All Special Revenue Fund Type	\$ 513,979	\$ 282,170	\$ 231,809
Other Financing Uses:			
KACO Leasing Trust Equipment Lease- Principal	40,000	39,965	35
Transfer To Williamsburg-Whitley County Airport Board Fund	43,702	43,702	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	\$ 597,681	\$ 365,837	\$ 231,844

SCHEDULE OF WILLIAMSBURG-WHITLEY
COUNTY AIRPORT BOARD EXPENDITURES

WHITLEY COUNTY
 SCHEDULE OF WILLIAMSBURG-WHITLEY
 COUNTY AIRPORT BOARD EXPENDITURES

Fiscal Year Ended June 30, 2000

Williamsburg - Whitley County Airport Board Expenditures:

Advertising Cost		\$	26
Insurance			4,947
Interest Expense			7,816
Land Clearing Cost			487
KAA Dues and Conferences			400
Office Supplies			80
Option Money			50
Travel Expense			941
Miscellaneous			208
Professional Services (for new airport project):			
Consultants	\$	1,034	
Legal Fees		8,847	
Surveying Cost		79,050	88,931
Land Purchased			116,039
Mineral Rights Purchased			5,100
Borrowed Money Repaid:			
Note Payoff (prior year note paid off)	\$	67,068	
Note Payments (principal payments made on current year notes payable)		1,303	68,371
Total Disbursements			<u>\$ 293,396</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 Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, 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, 2000, and have issued our report thereon dated July 12, 2001. 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 is not intended to be, and should not be, used by anyone other than the specified party.

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 -
July 12, 2001

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

WHITLEY COUNTY FISCAL COURT

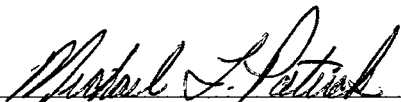
Fiscal Year Ended June 30, 2000

Appendix A

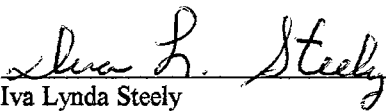
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC PROGRAM
WHITLEY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Whitley County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development 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