

**REPORT OF THE AUDIT OF THE
WHITLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WHITLEY COUNTY CLERK

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Whitley County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$136,534 from the prior year, resulting in excess fees of \$208,164 as of December 31, 2007. Revenues increased by \$619,669 from the prior year and expenditures increased by \$483,135.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Pat White Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Whitley County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the 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 statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2008 on our consideration of the Whitley County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Pat White Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
Members of the Whitley County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Whitley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Crit Luallen
Auditor of Public Accounts

April 9, 2008

WHITLEY COUNTY
KAY SCHWARTZ, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services		\$ 13,223
Fiscal Court		56,030
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$ 1,104,882	
Usage Tax	2,092,570	
Tangible Personal Property Tax	2,242,418	
Other-		
Fish and Game Licenses	4,423	
Marriage Licenses	16,295	
Deed Transfer Tax	55,712	
Delinquent Tax	599,394	6,115,694
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	23,885	
Real Estate Mortgages	24,174	
Chattel Mortgages and Financing Statements	120,736	
Powers of Attorney	3,570	
All Other Recordings	60,886	
Charges for Other Services-		
Copywork	16,713	
Miscellaneous	57,468	
Lien Fees	17,524	324,956
Other:		
Franchise Bank Deposit Taxes		92,452
Interest Earned		13,156
Total Revenues		6,615,511

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

WHITLEY COUNTY
 KAY SCHWARTZ, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 757,916	
Usage Tax	2,029,928	
Tangible Personal Property Tax	897,786	

Licenses, Taxes, and Fees-

Fish and Game Licenses	4,245	
Delinquent Tax	92,921	
Legal Process Tax	23,641	
Marriage Licenses	16,295	
Affordable Housing Trust	28,740	\$ 3,851,472

Payments to Fiscal Court:

Tangible Personal Property Tax	159,075	
Delinquent Tax	72,126	
Deed Transfer Tax	52,927	
Franchise Bank Deposit Taxes	92,452	376,580

Payments to Other Districts:

Tangible Personal Property Tax	1,096,863	
Delinquent Tax	282,075	1,378,938

Payments to Sheriff

9,590

Payments to County Attorney

84,951

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	319,191
Part-Time Salaries	2,058

Employee Benefits-

Employer's Share Social Security	28,757
Employer's Share Retirement	55,576
Employer's Paid Health Insurance	51,999

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

WHITLEY COUNTY
 KAY SCHWARTZ, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Contracted Services-			
Insurance Bonds	\$	6,534	
Advertising		938	
Materials and Supplies-			
Office Supplies		33,391	
Other Charges-			
Conventions and Travel		6,447	
Dues		1,280	
Postage		10,912	
Training Expense		3,557	
Election Expense		45,029	
Returned Checks		255	
Branch Office Rent		12,000	
Preparing Real Estate Tax Bills		6,752	
Capital Outlay-			
Office Equipment		10,000	
Equipment & Software Maintenance		22,036	
Equipment Lease & Rental Agreements		11,000	\$ 627,712
			<hr/>
Total Expenditures			\$ 6,329,243
			<hr/>
Net Revenues			286,268
Less: Statutory Maximum			<u>73,657</u>
			<hr/>
Excess Fees			212,611
Less: Expense Allowance		3,600	
Training Incentive Benefit		847	
			<hr/>
Excess Fees Due County for 2007			208,164
Payments to Fiscal Court - February 14, 2008			<u>200,000</u>
			<hr/>
Balance Due Fiscal Court at Completion of Audit			<u>\$ 8,164</u>
			<hr/>
			**

** Note: The County Clerk presented two checks to the County Treasurer for the balance due the Fiscal Court on April 9, 2008.

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

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

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

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office 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 STATEMENT
December 31, 2007
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

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 pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Whitley County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk 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.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Whitley County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WHITLEY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2007
 (Continued)

Note 4. Grant

On May 17, 2007, the former County Clerk transferred the unexpended balance of the Local Records Grant Account totaling \$13,188 to the current County Clerk. The grant funds are from the Kentucky Department for Libraries and Archives and are to be used for the purchase of a roller desk and film cartridges. During 2007, the Local Records Grant Account earned interest of \$196. The County Clerk expended \$0 during the year, leaving a balance of \$13,384, as of December 31, 2007. The Kentucky Department for Libraries and Archives has extended the project completion date to December 31, 2008.

Note 5. Operating Leases

The Whitley County Clerk's office entered into lease agreements for a copier and a postage machine. The future minimum lease payments as of December 31, 2007 for these leases are as follows:

Item Purchased	Monthly Payment	Term Of Agreement	Ending Date	Amount
Copier	\$ 130	60 months	April 3, 2012	\$ 6,737
Postage Machine	118	60 months	June 27, 2012	6,372

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



C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

The Honorable Pat White Jr., Whitley County Judge/Executive
The Honorable Kay Schwartz, Whitley County Clerk
Members of the Whitley County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Whitley County Clerk for the year ended December 31, 2007, and have issued our report thereon dated April 9, 2008. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Whitley County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Whitley County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Whitley County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

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

Crit Luallen
Auditor of Public Accounts

April 9, 2008

