

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

**For The Fiscal Year Ended
June 30, 2009**

**ROSS & COMPANY, PLLC
Certified Public Accountants**

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EXECUTIVE SUMMARY

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

June 30, 2009

Ross & Company, PLLC has completed the audit of the Whitley County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Whitley County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$8,382,604 as of June 30, 2009. The fiscal court had unrestricted net assets of \$6,623,594 in its governmental activities as of June 30, 2009, with total net assets of \$8,325,917. Total net cash and cash equivalents for the business-type activities were \$39,316 with total net assets of \$56,687. The fiscal court had total debt principal as of June 30, 2009 of \$12,419,500 with \$4,784,500 due within the next year.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Pat White, Jr., Whitley County Judge/Executive
Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Whitley County Fiscal Court. Our responsibility is to express opinions 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 opinions.

As described in Note 1, Whitley County, Kentucky, prepares its financial statements in accordance with the modified cash basis, 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.


The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Jonathon Miller, Secretary
Finance and Administration Cabinet
Honorable Pat White, Jr., Whitley County Judge/Executive
Members of the Whitley County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Whitley County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2010 on our consideration of Whitley County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
Certified Public Accounts

May 14, 2010

WHITLEY COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Pat White, Jr.	County Judge/Executive
Roger Wells	Magistrate
David Myers	Magistrate
Joe Moses	Magistrate
Mike Baird	Magistrate

Other Elected Officials:

Paul Winchester, Jr.	County Attorney
Ken Mobley	Jailer
Kay Schwartz	County Clerk
Gary Barton	Circuit Court Clerk
Lawrence Hodge	Sheriff
Ronnie Moses	Property Valuation Administrator
Andy J. Croley	Coroner

Appointed Personnel:

Jeffrey L. Gray	County Treasurer
Phil Brennennstuhl	Occupational Tax Administrator
Judy Brimm	Finance Officer

**WHITLEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2009

WHITLEY COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 6,623,594	\$ 39,316	\$ 6,662,910
Total Current Assets	<u>6,623,594</u>	<u>39,316</u>	<u>6,662,910</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	1,986,566		1,986,566
Land and Land Improvements	674,955		674,955
Buildings	5,802,808		5,802,808
Equipment	1,028,829	17,371	1,046,200
Vehicles	586,468		586,468
Infrastructure Assets - Net of Depreciation	<u>4,042,197</u>		<u>4,042,197</u>
Total Noncurrent Assets	<u>14,121,823</u>	<u>17,371</u>	<u>14,139,194</u>
Total Assets	<u>20,745,417</u>	<u>56,687</u>	<u>20,802,104</u>
LIABILITIES			
Current Liabilities:			
General Obligation Bonds	150,000		150,000
Bank Notes Payable	4,500,000		4,500,000
Financing Obligations	134,500		134,500
Total Current Liabilities	<u>4,784,500</u>		<u>4,784,500</u>
Noncurrent Liabilities:			
General Obligation Bonds	7,005,000		7,005,000
Financing Obligations	630,000		630,000
Total Noncurrent Liabilities	<u>7,635,000</u>		<u>7,635,000</u>
Total Liabilities	<u>12,419,500</u>		<u>12,419,500</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			
	1,702,323	17,371	1,719,694
Unrestricted	6,623,594	39,316	6,662,910
Total Net Assets	<u>\$ 8,325,917</u>	<u>\$ 56,687</u>	<u>\$ 8,382,604</u>

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

**WHITLEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

WHITLEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,765,549	\$ 17,103	\$ 181,381	\$ 162,000
Protection to Persons and Property	2,267,486	2,758,357	448,140	
General Health and Sanitation	596,047		237,137	21,500
Social Services	21,453			
Recreation and Culture	57,856			
Roads	2,000,797		990,767	1,804,110
Interest on Long-Term Debt	413,107			
Capital Projects	1,986,566			
Total Governmental Activities	<u>11,108,861</u>	<u>2,775,460</u>	<u>1,857,425</u>	<u>1,987,610</u>
Business-type Activities:				
Jail Canteen	246,054	253,312		
Total Business-type Activities	<u>246,054</u>	<u>253,312</u>		
Total Primary Government	<u>\$ 11,354,915</u>	<u>\$ 3,028,772</u>	<u>\$ 1,857,425</u>	<u>\$ 1,987,610</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational License Tax

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

WHITLEY COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,405,065)	\$	\$ (3,405,065)
939,011		939,011
(337,410)		(337,410)
(21,453)		(21,453)
(57,856)		(57,856)
794,080		794,080
(413,107)		(413,107)
(1,986,566)		(1,986,566)
(4,488,366)		(4,488,366)
	7,258	7,258
	7,258	7,258
(4,488,366)	7,258	(4,481,108)
685,035		685,035
182,095		182,095
163,204		163,204
4,036,688		4,036,688
851,492		851,492
152,715		152,715
124,988		124,988
101,799		101,799
6,298,016		6,298,016
1,809,650	7,258	1,816,908
6,516,267	49,429	6,565,696
\$ 8,325,917	\$ 56,687	\$ 8,382,604

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

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,961,558	\$ 251,085	\$ 228,914	\$ 375,128
Total Assets	<u>\$ 1,961,558</u>	<u>\$ 251,085</u>	<u>\$ 228,914</u>	<u>\$ 375,128</u>
FUND BALANCES				
Reserved for:				
Encumbrances	1,567	1,171		1,215
Unreserved:				
General Fund	1,959,991			
Special Revenue Funds		249,914	228,914	373,913
Debt Service Fund				
Total Fund Balances	<u>\$ 1,961,558</u>	<u>\$ 251,085</u>	<u>\$ 228,914</u>	<u>\$ 375,128</u>
Total Liabilities and Fund Balances	<u>\$ 1,961,558</u>	<u>\$ 251,085</u>	<u>\$ 228,914</u>	<u>\$ 375,128</u>

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

WHITLEY COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Occupational Tax Fund	Dentention Center Public Properties Corporation Fund	Justice Center Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 102,824	\$ 549,882	\$ 2,385,857	\$ 768,346	\$ 6,623,594
\$ 102,824	\$ 549,882	\$ 2,385,857	\$ 768,346	\$ 6,623,594
593			15,777	20,323
102,231				1,959,991
	549,882	2,385,857	752,569	1,707,541
				2,935,739
\$ 102,824	\$ 549,882	\$ 2,385,857	\$ 768,346	\$ 6,623,594
\$ 102,824	\$ 549,882	\$ 2,385,857	\$ 768,346	\$ 6,623,594

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 6,623,594
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	19,151,741
Accumulated Depreciation	(5,029,918)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Financing Obligations	(764,500)
Revenue Anticipation Notes	(4,500,000)
Bonded Debt	(7,155,000)
Net Assets Of Governmental Activities	<u>\$ 8,325,917</u>

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

WHITLEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WHITLEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Ambulance Fund</u>
REVENUES				
Taxes	\$ 1,326,199	\$	\$	\$
In Lieu Tax Payments	113,064	162,662		
Excess Fees	152,715			
Licenses and Permits	17,103			
Intergovernmental	530,602	1,913,415	1,336,885	10,169
Charges for Services			50,785	1,561,463
Miscellaneous	55,896	180	39,909	5,282
Interest	31,910	17,121	1,259	1,976
Total Revenues	<u>2,227,489</u>	<u>2,093,378</u>	<u>1,428,838</u>	<u>1,578,890</u>
EXPENDITURES				
General Government	1,463,803	6,415		
Protection to Persons and Property	208,292		1,557,795	1,088,716
General Health and Sanitation	596,047			
Social Services	21,453			
Recreation and Culture				
Roads		2,422,286		
Debt Service	194,217	176,528		
Capital Projects				
Administration	385,593	291,992	388,698	350,906
Total Expenditures	<u>2,869,405</u>	<u>2,897,221</u>	<u>1,946,493</u>	<u>1,439,622</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(641,916)</u>	<u>(803,843)</u>	<u>(517,655)</u>	<u>139,268</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	1,984,207	650,000	1,012,168	
Transfers To Other Funds	<u>(1,136,440)</u>		<u>(486,440)</u>	
Total Other Financing Sources (Uses)	<u>847,767</u>	<u>650,000</u>	<u>525,728</u>	
Net Change in Fund Balances	205,851	(153,843)	8,073	139,268
Fund Balances - Beginning (Restated)	1,755,707	404,928	220,841	235,860
Fund Balances - Ending	<u>\$ 1,961,558</u>	<u>\$ 251,085</u>	<u>\$ 228,914</u>	<u>\$ 375,128</u>

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

WHITLEY COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

<u>Occupational Tax Fund</u>	<u>Dentention Center Public Properties Corporation Fund</u>	<u>Justice Center Public Properties Corporation Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 4,036,688	\$	\$	\$ 429,412	\$ 5,792,299
				275,726
				152,715
				17,103
			1,045,280	4,836,351
	26,550		2,453	130,270
<u>12,808</u>	<u>150</u>	<u>25,965</u>	<u>10,610</u>	<u>101,799</u>
<u>4,049,496</u>	<u>26,700</u>	<u>25,965</u>	<u>1,487,755</u>	<u>12,918,511</u>
114,990			108,488	1,693,696
			438,125	3,292,928
				596,047
				21,453
			57,856	57,856
			188,555	2,610,841
	512,989	87,973		971,707
		1,986,566		1,986,566
<u>2,003,684</u>		<u>1,000</u>	<u>93,710</u>	<u>3,515,583</u>
<u>2,118,674</u>	<u>512,989</u>	<u>2,075,539</u>	<u>886,734</u>	<u>14,746,677</u>
<u>1,930,822</u>	<u>(486,289)</u>	<u>(2,049,574)</u>	<u>601,021</u>	<u>(1,828,166)</u>
	486,440			4,132,815
<u>(1,984,207)</u>			<u>(525,728)</u>	<u>(4,132,815)</u>
<u>(1,984,207)</u>	<u>486,440</u>		<u>(525,728)</u>	
(53,385)	151	(2,049,574)	75,293	(1,828,166)
156,209	549,731	4,435,431	693,053	8,451,760
<u>\$ 102,824</u>	<u>\$ 549,882</u>	<u>\$ 2,385,857</u>	<u>\$ 768,346</u>	<u>\$ 6,623,594</u>

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

**WHITLEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

WHITLEY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds \$ (1,828,166)

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	4,059,018
Depreciation Expense	(979,802)

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing Obligations Principal Amount	418,600
Bond Principal Payments	<u>140,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 1,809,650</u></u>
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WHITLEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

WHITLEY COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activity - Enterprise Fund	Jail Canteen Fund
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 39,316	
Total Current Assets	39,316	
Noncurrent Assets:		
Capital Assets:		
Equipment	26,319	
Less Accumulated Depreciation	(8,948)	
Total Noncurrent Assets	\$ 17,371	
Total Assets	\$ 56,687	
Net Assets		
Invested in Capital Assets, Net of Related Debt	17,371	
Unrestricted	39,316	
Total Net Assets	\$ 56,687	

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

WHITLEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WHITLEY COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity - Enterprise Fund	Jail Canteen Fund
Operating Revenues		
Canteen Receipts	\$ 253,312	
Total Receipts	253,312	
Operating Expenses		
Inventory	133,148	
Educational and Recreational	2,507	
Refunds	69,297	
Depreciation	2,237	
Sales Tax	3,480	
Miscellaneous	35,385	
Total Operating Expenses	246,054	
Operating Income	7,258	
Total Net Assets - Beginning (Restated)	49,429	
Total Net Assets - Ending	\$ 56,687	

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

WHITLEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WHITLEY COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activity - Enterprise Fund	Jail Canteen Fund
Cash Flows From Operating Activities		
Canteen Receipts	\$ 253,312	
Inventory	(133,148)	
Educational and Recreational	(2,507)	
Refunds	(69,297)	
Sales Tax	(3,480)	
Miscellaneous	(35,385)	
Net Cash Provided By Operating Activities	9,495	
Net Increase in Cash and Cash Equivalents	9,495	
Cash and Cash Equivalents - July 1, 2008 (Restated)	29,821	
Cash and Cash Equivalents - June 30, 2009	\$ 39,316	
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 7,258	
Plus: Depreciation Expense	2,237	
Net Cash Provided By Operating Activities	\$ 9,495	

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

WHITLEY COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with 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. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. 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 Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, 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. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

The following legally separate organization provides their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Whitley County Public Properties Corporation

The Whitley County Fiscal Court (Fiscal Court) established the Whitley County Public Properties Corporation (Corporation) for the purpose of financing detention center and justice center projects. The Corporation's governing body consists entirely of the Fiscal Court members. Therefore, management must include the Corporation as part of the reporting entity, and the Corporation's financial activity is blended with that of the Fiscal Court.

C. Whitley County Elected Officials

Kentucky law provides for election of the below 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. These financial statements are not required to be included in the financial statements of Whitley County, Kentucky.

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

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 31 following the assessment, and subject to lien and sale on July 15, following the delinquency date.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund – The primary purpose of this fund is to provide emergency medical service for the county. The primary sources of revenue for this fund are federal, state, and private insurance billings.

Occupational Tax Fund – The purpose of this fund is to account for the collection of occupational tax imposed under provisions of KRS 68.197.

Detention Center Public Properties Corporation Fund – This fund, a blended component unit of the County, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest issued by the Corporation for the purpose of financing the Detention Center construction. The Governor's Department for Local Government does not require the Fiscal Court to report or budget these funds.

Justice Center Public Properties Corporation Fund – This fund, a blended component unit of the County, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest issued by the Corporation for the purpose of financing the Justice Center construction. The Governor's Department for Local Government does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forestry Fund, Tourist Room Tax Fund, and the 911 Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, Occupational Tax Fund, Forestry Fund, Tourist Room Tax Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Detention Center Public Properties Corporation Fund and the Justice Center Public Properties Corporation Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

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 Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund, the Jail Inmate Fund, is used to account for inmate monies held by the Jailer for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 15,000	10-75
Building Improvements	\$ 15,000	10-60
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-12
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are 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.

The Whitley County Justice Center Public Properties Corporation Fund and the Detention Center Public Properties Corporation Fund (blended component units) are not budgeted by the county treasurer. The Governor’s Department for Local Government does not require the fiscal court to report or budget these funds.

J. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Whitley County Fiscal Court: Whitley County Water District and Cumberland Falls Water Highway District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Whitley County Fiscal Court:

- The Williamsburg/Whitley County Airport Board (with the City of Williamsburg)

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 317,125	\$	\$	\$ 317,125
Construction In Progress		1,986,566		1,986,566
Total Capital Assets Not Being Depreciated	317,125	1,986,566		2,303,691
Capital Assets, Being Depreciated:				
Buildings	7,712,032			7,712,032
Land Improvements	416,889			416,889
Equipment	1,218,914	359,259		1,578,173
Vehicles	905,524	185,017		1,090,541
Infrastructure	4,522,239	1,528,176		6,050,415
Total Capital Assets Being Depreciated	14,775,598	2,072,452		16,848,050
Less Accumulated Depreciation For: (Restated)				
Buildings	(1,708,162)	(201,062)		(1,909,224)
Land Improvements	(47,247)	(11,812)		(59,059)
Equipment	(441,553)	(107,791)		(549,344)
Vehicles	(422,980)	(81,093)		(504,073)
Infrastructure	(1,430,174)	(578,044)		(2,008,218)
Total Accumulated Depreciation	(4,050,116)	(979,802)		(5,029,918)
Total Capital Assets, Being Depreciated, Net	10,725,482	1,092,650		11,818,132
Governmental Activities Capital Assets, Net	\$ 11,042,607	\$ 3,079,216	\$	\$ 14,121,823

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Business-Type Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Equipment	\$ 26,319	\$	\$	\$ 26,319
Total Capital Assets Being Depreciated	26,319			26,319
Less Accumulated Depreciation For:				
Vehicles and Equipment	(6,711)	(2,237)		(8,948)
Total Accumulated Depreciation	(6,711)	(2,237)		(8,948)
Total Capital Assets, Being Depreciated, Net	19,608	(2,237)		17,371
Business-Type Activities Capital Assets, Net	<u>\$ 19,608</u>	<u>\$ (2,237)</u>	<u>\$</u>	<u>\$ 17,371</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 132,142
Protection to Persons and Property	221,520
Roads, Including Depreciation of General Infrastructure Assets	<u>626,140</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 979,802</u>

Business-Type Activities

Jail Canteen	<u>\$ 2,237</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,237</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long - Term Debt

A. General Obligation Bonds, Series 2002

On April 1, 2002, the county issued \$7,685,000 of General Obligation Bonds issued with interest rates of 5.0% through 5.20% payable semiannually October 1 and April 1. These bonds were issued for the purpose of financing the acquisition, construction, and equipping of a new detention center facility. The outstanding principal balance of the bonds was \$7,155,000 as of June 30, 2009, with principal paid annually on April 1. Future principal and interest payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 150,000	\$ 365,989
2011	155,000	358,489
2012	165,000	350,739
2013	175,000	352,489
2014	180,000	333,739
2015-2019	1,050,000	1,523,694
2020-2024	1,345,000	1,231,452
2025-2029	1,720,000	851,823
2030-2034	2,215,000	357,240
Totals	<u>\$ 7,155,000</u>	<u>\$ 5,725,654</u>

B Airport Land

On April 18, 2002, Whitley County entered into a \$765,000 financing obligation 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. Interest on the financing obligation is payable on November 20 and May 20, while principal payments are due only on May 20 annually. The principal balance was \$270,000 as of June 30, 2009. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 85,000	\$ 12,970
2011	90,000	8,975
2012	95,000	4,655
Totals	<u>\$ 270,000</u>	<u>\$ 26,600</u>

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

C. Voting Machines

On July 25, 2002, Whitley County entered into a \$172,300 financing obligation agreement with the Kentucky Association of Counties Leasing Trust Program for the acquisition of voting machines. The agreement requires variable monthly payments for 89 months to be paid in full January 20, 2010. The principal balance of the agreement was \$24,500 as of June 30, 2009. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 24,500	\$ 614
Totals	\$ 24,500	\$ 614

D. Court Facilities Project

On July 3, 2003, Whitley County entered into a \$605,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust for the court facilities project. A portion of the financing obligation proceeds was used to retire a \$245,000 financing obligation dated May 1, 2003. The remaining proceeds were to be used to renovate a building for use as court facilities; however, the project was subsequently determined not to be a viable project. On January 20, 2004, \$170,000 and \$160,000 of the financing obligation proceeds were transferred to the General Fund and Jail Fund, respectively, and used for county operations. The agreement requires variable semi-annual payments to be paid in full May 20, 2023. The principal balance of the agreement was \$470,000 as of June 30, 2009. Financing obligation payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 20,400
2011	25,000	19,500
2012	30,000	18,600
2013	30,000	17,430
2014	30,000	16,260
2015-2019	165,000	61,906
2020-2023	165,000	20,028
Totals	\$ 470,000	\$ 174,124

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

E. Justice Center - Including Subsequent Event

On May 7, 2008 the Whitley County Public Properties Corporation issued \$4,500,000 in First Mortgage Revenue Refunding Bond anticipation Notes for the purpose of financing the initial phases of construction of the Whitley County Justice Center.

On September 1, 2009 the Whitley County Public Properties Corporation (PPC) issued \$17,105,000 par value First Mortgage Revenue bonds for the construction of the Justice Center and retirement of the revenue anticipation note of \$4,500,000. Simultaneously with the issuance of the bonds the Whitley County Public Properties Corporation, the county, and the Administrative Office of the Courts (AOC) entered into a lease agreement for the purpose of obtaining office rental space for AOC at the justice center. The PPC and the county expect annual rentals for the justice center to be the full amount of the annual principal and interest payments required by the bond. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment provided for in the lease until debt is retired in the year 2029.

At June 30, 2009, the principal balance outstanding on the First Mortgage Revenue Refunding Bond anticipation Notes is \$4,500,000. This balance and accumulated interest was fully retired on September 1, 2009 upon issuance of the bonds. Bond Anticipation Note debt service requirements as of June 30, 2009 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 4,500,000	\$ 119,700
Totals	\$ 4,500,000	\$ 119,700

I. Refunding of 1995 Bonds and 1997 Certificates

On April 2, 2004, Whitley County entered into a \$1,405,000 financing obligation agreement with the Kentucky Area Development Districts Financing Trust to refund \$1,130,000 of outstanding Public Project Refunding Revenue Bonds, Series 1995, issued for the purpose of courthouse renovations and certain road projects, and \$255,000 of Public Project Revenue Certificates of Participation, Series 1997, issued for road construction and repair. On November 1, 2004, \$1,095,667 of the proceeds plus an additional \$330,115 of 1995 Series debt service reserve monies were used to pay all future debt service payments on the 1995 Series and the 1997 Series. As a result, the 1995 Series and the 1997 Series were considered defeased as of June 30, 2004. The remaining principal balance was paid in full during the fiscal year ended June 30, 2009.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-Term Debt (Continued)

K. Changes In Long Term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 7,295,000	\$	\$ 140,000	\$ 7,155,000	\$ 150,000
Revenue Bond Anticipation Note	4,500,000			4,500,000	4,500,000
Financing Obligations	1,183,100		418,600	764,500	134,500
Governmental Activities					
Long-term Liabilities	<u>\$ 12,978,100</u>	<u>\$</u>	<u>\$ 558,600</u>	<u>\$ 12,419,500</u>	<u>\$ 4,784,500</u>

Note 5. Related Party Transactions

During the year ended June 30, 2009, Whitley County Fiscal Court paid JLG Identification Solutions, Inc., \$3,321 for employee identification cards and uniforms for ambulance, 911, and jail employees, as well as jail inmates. The Whitley County Treasurer is a co-owner in this business. Because of the nature of the relationship between the business and the employee, the transactions are considered related party transactions.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$297,139, FY 2008 was \$572,534, and FY 2009 was \$423,580.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Whitley County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 105 Sea Hero Road Suite #1, Frankfort, KY 40601-8862.

Note 8. Insurance

For the fiscal year ended June 30, 2009, 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.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Beginning Balances Restated

The beginning balance for capital assets accumulated depreciation was reduced by \$4,930 due to errors in the prior year capital asset listing. Beginning balance for the general fund was increased by \$281 to account for prior year voided checks. Beginning balance for the jail canteen fund was increased by \$837 to account for prior period voided checks.

Note 10. Subsequent Event - Long Term Financing for Justice Center

As indicated in note 4 above, on September 1, 2009 the Whitley County Public Properties Corporation (PPC) issued \$17,105,000 par value First Mortgage Revenue bonds for the construction of the Justice Center and retirement of the revenue anticipation note of \$4,500,000. Simultaneously with the issuance of the bonds the Whitley County Public Properties Corporation, the county, and the Administrative Office of the Courts (AOC) entered into a lease agreement for the purpose of obtaining office rental space for AOC at the justice center. The PPC and the county expect annual rentals for the justice center to be the full amount of the annual principal and interest payments required by the bond. Under the terms of the lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment provided for in the lease until debt is retired in the year 2029. At June 30, 2009, the principal balance outstanding on the First Mortgage Revenue Refunding Bond anticipation Notes is \$4,500,000. This balance and accumulated interest was fully retired on September 1, 2009 upon issuance of the bonds.

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis

For The Year Ended June 30, 2009

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,214,622	\$ 1,266,159	\$ 1,326,199	\$ 60,040
In Lieu Tax Payments	76,000	77,276	113,064	35,788
Excess Fees	134,690	150,100	152,715	2,615
Licenses and Permits	18,125	18,125	17,103	(1,022)
Intergovernmental	199,205	555,875	530,602	(25,273)
Miscellaneous	30,000	54,187	55,896	1,709
Interest	20,000	23,194	31,910	8,716
Total Revenues	1,692,642	2,144,916	2,227,489	82,573
EXPENDITURES				
General Government	1,235,832	1,642,765	1,463,803	178,962
Protection to Persons and Property	675,920	702,020	208,292	493,728
General Health and Sanitation	606,150	855,515	596,047	259,468
Social Services	14,000	32,000	21,453	10,547
Debt Service	674,050	438,366	194,217	244,149
Administration	811,950	705,217	385,593	319,624
Total Expenditures	4,017,902	4,375,883	2,869,405	1,506,478
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(2,325,260)	(2,230,967)	(641,916)	1,589,051
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,865,500	1,984,207	1,984,207	3,374,447
Transfers To Other Funds	(1,190,240)	(1,390,240)	(1,136,440)	(3,120,647)
Total Other Financing Sources (Uses)	675,260	593,967	847,767	253,800
Net Changes in Fund Balance	(1,650,000)	(1,637,000)	205,851	1,842,851
Fund Balance - Beginning (Restated)	1,650,000	1,755,707	1,755,707	
Fund Balance - Ending	\$	\$ 118,707	\$ 1,961,558	\$ 1,842,851

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2009 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 89,500	\$ 162,661	\$ 162,662	\$ 1
Intergovernmental	1,585,745	2,019,417	1,913,415	(106,002)
Miscellaneous	1,100	1,100	180	(920)
Interest	25,000	25,000	17,121	(7,879)
Total Revenues	<u>1,701,345</u>	<u>2,208,178</u>	<u>2,093,378</u>	<u>(114,800)</u>
EXPENDITURES				
General Government	14,400	19,400	6,415	12,985
Roads	1,980,227	2,607,327	2,422,286	185,041
Debt Service	176,530	176,530	176,528	2
Administration	380,188	459,849	291,992	167,857
Total Expenditures	<u>2,551,345</u>	<u>3,263,106</u>	<u>2,897,221</u>	<u>352,900</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(850,000)</u>	<u>(1,054,928)</u>	<u>(803,843)</u>	<u>238,100</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	450,000	650,000	650,000	
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>650,000</u>	<u>650,000</u>	
Net Changes in Fund Balance	(400,000)	(404,928)	(153,843)	238,100
Fund Balance - Beginning	<u>400,000</u>	<u>404,928</u>	<u>404,928</u>	
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 251,085</u>	<u>\$ 238,100</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2009 (Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,232,000	\$ 1,232,000	\$ 1,336,885	\$ 104,885
Charges for Services	67,100	67,100	50,785	(16,315)
Miscellaneous	42,100	42,449	39,909	(2,540)
Interest	2,500	2,500	1,259	(1,241)
Total Revenues	1,343,700	1,344,049	1,428,838	84,789
EXPENDITURES				
Protection to Persons and Property	1,616,052	1,696,512	1,557,795	138,717
Debt Service	486,440	486,440	486,440	
Administration	462,176	597,906	388,698	209,208
Total Expenditures	2,564,668	2,780,858	2,432,933	347,925
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,220,968)	(1,436,809)	(1,004,095)	432,714
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,215,968	1,215,968	1,012,168	(203,800)
Total Other Financing Sources (Uses)	1,215,968	1,215,968	1,012,168	(203,800)
Net Changes in Fund Balance	(5,000)	(220,841)	8,073	228,914
Fund Balance - Beginning	5,000	220,841	220,841	
Fund Balance - Ending	\$	\$	\$ 228,914	\$ 228,914

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2009 (Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,700	\$ 10,700	\$ 10,169	\$ (531)
Charges for Services	1,145,000	1,251,078	1,561,463	310,385
Miscellaneous	1,000	4,078	5,282	1,204
Interest	500	519	1,976	1,457
Total Revenues	1,157,200	1,266,375	1,578,890	312,515
EXPENDITURES				
Protection to Persons and Property	924,175	1,119,822	1,088,716	31,106
Administration	408,025	432,413	350,906	81,507
Total Expenditures	1,332,200	1,552,235	1,439,622	112,613
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(175,000)</u>	<u>(285,860)</u>	<u>139,268</u>	<u>425,128</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Financing Sources (Uses)	50,000	50,000		(50,000)
Net Changes in Fund Balances	(125,000)	(235,860)	139,268	375,128
Fund Balances - Beginning	<u>125,000</u>	<u>235,860</u>	<u>235,860</u>	
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 375,128</u>	<u>\$ 375,128</u>

WHITLEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplemental Information - Modified Cash Basis
For The Year Ended June 30, 2009 (Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,800,000	\$ 4,004,686	\$ 4,036,688	\$ 32,002
Interest	15,000	15,000	12,808	(2,192)
Total Revenues	<u>3,815,000</u>	<u>4,019,686</u>	<u>4,049,496</u>	<u>29,810</u>
EXPENDITURES				
General Government	117,900	145,650	114,990	30,660
Administration	1,896,600	2,164,745	2,003,684	161,061
Total Expenditures	<u>2,014,500</u>	<u>2,310,395</u>	<u>2,118,674</u>	<u>191,721</u>
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,800,500</u>	<u>1,709,291</u>	<u>1,930,822</u>	<u>221,531</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(1,865,500)	(1,984,207)	(1,984,207)	
Total Other Financing Sources (Uses)	<u>(1,865,500)</u>	<u>(1,984,207)</u>	<u>(1,984,207)</u>	
Net Changes in Fund Balances	(65,000)	(274,916)	(53,385)	221,531
Fund Balances - Beginning	<u>65,000</u>	<u>156,209</u>	<u>156,209</u>	
Fund Balances - Ending	<u>\$</u>	<u>\$ (118,707)</u>	<u>\$ 102,824</u>	<u>\$ 221,531</u>

WHITLEY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Public Properties Corporation Fund and the Detention Facility Bond Fund.

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.

Reconciliation to the Statement of Revenues, Expenditures, And Changes In Fund Balance:

Reconciliation of Jail Fund

Expenditures - Budgetary Basis	\$ 2,432,933
Less: Transfers Out to Public Properties Corporation	<u>(486,440)</u>
Expenditures - Modified Cash Basis	<u>\$ 1,946,493</u>
Other Financing Sources (Uses)- Budgetary Basis	\$ 1,012,168
Less: Transfers Out to Public Properties Corporation	<u>(486,440)</u>
Other Financing Sources (Uses)- Modified Cash Basis	<u>\$ 525,728</u>

**WHITLEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information**

June 30, 2009

WHITLEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

June 30, 2009

	Local Government Economic Assistance Fund	Forestry Fund	Tourist Tax Fund
ASSETS			
Cash and Cash Equivalents	<u>\$ 484,842</u>	<u>\$ 5,056</u>	<u>\$ 8,250</u>
Total Assets	<u><u>\$ 484,842</u></u>	<u><u>\$ 5,056</u></u>	<u><u>\$ 8,250</u></u>
FUND BALANCES			
Reserved for:			
Encumbrances	\$	\$	\$
Unreserved:			
Special Revenue Funds	<u>484,842</u>	<u>5,056</u>	<u>8,250</u>
Total Fund Balances	<u><u>\$ 484,842</u></u>	<u><u>\$ 5,056</u></u>	<u><u>\$ 8,250</u></u>

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

WHITLEY COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information
June 30, 2009
(Continued)

<u>911 Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>\$ 270,198</u>	<u>\$ 768,346</u>
<u>\$ 270,198</u>	<u>\$ 768,346</u>
\$ 15,777	\$ 15,777
<u>254,421</u>	<u>752,569</u>
<u>\$ 270,198</u>	<u>\$ 768,346</u>

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

WHITLEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2009

WHITLEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Forestry Fund	Tourist Tax Fund
REVENUES			
Taxes	\$	\$ 3,404	\$ 57,917
Intergovernmental	900,962		
Miscellaneous		225	
Interest	3,594	146	238
Total Revenues	<u>904,556</u>	<u>3,775</u>	<u>58,155</u>
EXPENDITURES			
General Government	108,488		
Protection to Persons and Property		3,481	
Recreation and Culture			57,856
Roads	188,555		
Administration			
Total Expenditures	<u>297,043</u>	<u>3,481</u>	<u>57,856</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>607,513</u>	<u>294</u>	<u>299</u>
OTHER FINANCING SOURCES (USES)			
Transfers To Other Funds	<u>(525,728)</u>		
Total Other Financing Sources (Uses)	<u>(525,728)</u>		
Net Change in Fund Balances	81,785	294	299
Fund Balances - Beginning	403,057	4,762	7,951
Fund Balances - Ending	<u>\$ 484,842</u>	<u>\$ 5,056</u>	<u>\$ 8,250</u>

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

WHITLEY COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplemental Information
For The Year Ended June 30, 2009
(Continued)

<u>911</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
\$ 368,091	\$ 429,412
144,318	1,045,280
2,228	2,453
6,632	10,610
<u>521,269</u>	<u>1,487,755</u>
	108,488
434,644	438,125
	57,856
	188,555
<u>93,710</u>	<u>93,710</u>
<u>528,354</u>	<u>886,734</u>
<u>(7,085)</u>	<u>601,021</u>
	<u>(525,728)</u>
	<u>(525,728)</u>
(7,085)	75,293
277,283	693,053
<u>\$ 270,198</u>	<u>\$ 768,346</u>

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

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

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Certified Public Accountants
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Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rossecpas.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Whitley County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 14, 2010. Whitley County presents its financial statements on the modified cash basis of accounting, which is a comprehensive 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 Whitley County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Whitley County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Whitley County Fiscal Court'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 modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Internal Control Over Financial Reporting (Continued)

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 statements 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.

Compliance And Other Matters

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 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 and the Kentucky Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Ross & Company, PLLC
Certified Public Accounts

May 14, 2010

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

WHITLEY COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

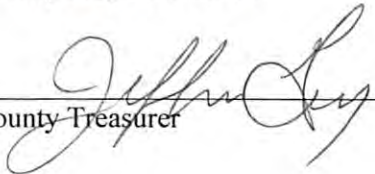
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WHITLEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

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



County Judge/Executive



County Treasurer