

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

**For The Fiscal Year Ended
June 30, 2013**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FLEMING COUNTY FISCAL COURT

June 30, 2013

The Auditor of Public Accounts has completed the audit of the Fleming County Fiscal Court for fiscal year ended June 30, 2013.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Fleming County, Kentucky.

Financial Condition:

The Fleming County Fiscal Court had total receipts of \$6,020,287 and disbursements of \$6,309,753 in fiscal year 2013. This resulted in ending cash balances and cash equivalents of \$1,339,614, which was a decrease of \$289,466 from the prior year.

Report Comments:

2013-01 Fiscal Court Should Bid For Projects And Material When The Costs May Exceed \$20,000

2013-02 The Fiscal Court Should Either Deal Directly With State Price Contract Vendors Or Advertise For Bids On Purchases Of Vehicles That Exceed \$20,000 In Compliance With KRS 424.260

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of Fleming County, Kentucky, for the year ended June 30, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Fleming County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Fleming County, Kentucky as of June 30, 2013, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances and cash equivalents of Fleming County, Kentucky as of June 30, 2013, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Emphasis of Matters

As discussed in Note 9 to the financial statement, in fiscal year 2013, the Fleming County Fiscal Court adopted new accounting guidance on a regulatory basis. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Fleming County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statement. The capital asset schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of Fleming 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.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2013-01 Fiscal Court Should Bid For Projects And Material When The Costs May Exceed \$20,000
- 2013-02 The Fiscal Court Should Either Deal Directly With State Price Contract Vendors Or Advertise For Bids On Purchases Of Vehicles That Exceed \$20,000 In Compliance With KRS 424.260

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 21, 2014

FLEMING COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

Larry Foxworthy	County Judge/Executive
David Deatley	Magistrate
Chris Hickerson	Magistrate
Rickey Lewis	Magistrate
Ray Money	Magistrate
John Sims	Magistrate
James Smoot	Magistrate

Other Elected Officials:

John Price	County Attorney
Tim Cooper	Jailer
Jarrold Fritz	County Clerk
Pam Lowe	Circuit Court Clerk
Scotty Royse	Sheriff
Connie Crain	Property Valuation Administrator
Gary Workman	Coroner

Appointed Personnel:

Kathryn Dryden	County Treasurer
Tammy Gray	Finance Officer

FLEMING COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

FLEMING COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS

For The Year Ended June 30, 2013

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,677,104	\$	\$
Excess Fees	86,532		
Licenses and Permits	28,043		
Intergovernmental	282,781	1,848,313	119,444
Charges for Services	50		41,635
Miscellaneous	505,841	32,767	1
Interest	2,794	650	20
Total Receipts	<u>2,583,145</u>	<u>1,881,730</u>	<u>161,100</u>
DISBURSEMENTS			
General Government	881,905		
Protection to Persons and Property	123,703	2,313	422,280
General Health and Sanitation	27,848		
Social Services	2,773		
Recreation and Culture	39,609		
Transportation Facilities and Services		3,738	
Roads		1,997,179	
Airports	7,500		
Debt Service	58,451		
Capital Projects	368		
Administration	809,079	196,523	24,346
Total Disbursements	<u>1,951,236</u>	<u>2,199,753</u>	<u>446,626</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>631,909</u>	<u>(318,023)</u>	<u>(285,526)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds		367,000	287,538
Transfers To Other Funds	(796,363)		
Total Other Adjustments to Cash (Uses)	<u>(796,363)</u>	<u>367,000</u>	<u>287,538</u>
Net Change in Cash Balances and Cash Equivalents	(164,454)	48,977	2,012
Cash Balances and Cash Equivalents - Beginning (Restated)	590,345	14,011	2,731
Cash Balances and Cash Equivalents - Ending	<u>\$ 425,891</u>	<u>\$ 62,988</u>	<u>\$ 4,743</u>

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

FLEMING COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES AND CASH EQUIVALENTS - REGULATORY BASIS
For The Year Ended June 30, 2013
(Continued)

Budgeted Funds					Unbudgeted Funds	
Local Government Economic Assistance Fund	Forest Fire Fund	Revolving Loan Fund	Dispatch Fund	Capital Improvement Fund	Public Properties Corporation Fund	Total Funds
\$	\$ 1,233	\$	\$ 227,604	\$	\$	\$ 1,905,941
						86,532
						28,043
50,169			107,080		967,728	3,375,515
810			34,947			41,685
584		488	1,883	1,786		574,366
51,563	1,233	488	371,514	1,786	967,728	6,020,287
						881,905
	1,480		377,562			927,338
						27,848
						2,773
						39,609
35,610						3,738
						2,032,789
32,794					965,728	7,500
				234,680		1,056,973
			62,144	140	2,000	235,048
68,404	1,480		439,706	234,820	967,728	1,094,232
						6,309,753
(16,841)	(247)	488	(68,192)	(233,034)		(289,466)
			1,825	140,000		796,363
						(796,363)
			1,825	140,000		
(16,841)	(247)	488	(66,367)	(93,034)		(289,466)
106,982	1,022	119,595	346,774	386,208	61,412	1,629,080
\$ 90,141	\$ 775	\$ 120,083	\$ 280,407	\$ 293,174	\$ 61,412	\$ 1,339,614

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

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TO THE FINANCIAL STATEMENT**

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FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Fleming County includes all budgeted and unbudgeted funds under the control of the Fleming County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation created under the provisions of KRS 58.180 to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

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 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted 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 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 receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts 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 Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Forest Fire Fund - The primary purpose of this fund is to account for taxes collected on fire acres and remittance to the state.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant (CDBG) proceeds that were repaid. The county can loan this recaptured money to businesses and they are subject to CDBG guidelines.

Dispatch Fund - The primary purpose of this fund is to account for the dispatch center expenses of the county. The primary sources of receipts for this fund are 911 taxes and surcharges.

Capital Improvement Fund - The primary purpose of this fund is to account for construction and maintenance costs involving county buildings or properties.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the financing and construction of major capital facilities. This fund handles the financial activities associated with the construction of the Judicial Center.

D. 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 disbursements 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. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fleming County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Fleming 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 statement of Fleming County, Kentucky.

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

F. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, 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).

G. Long-term Obligations

The fund financial statement recognizes 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 are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 2. Deposits

The fiscal court 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 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, 2013, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2013.

	General Fund	Total Transfers In
Road Fund	\$ 367,000	\$ 367,000
Jail Fund	287,538	287,538
Dispatch Fund	1,825	1,825
Capital Improvement Fund	140,000	140,000
Total Transfers Out	<u>\$ 796,363</u>	<u>\$ 796,363</u>

Reason for transfers:

To move resources from the General Fund, for budgetary purposes, to the funds that will expend them.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt

A. Capital Lease – Case Tractor Loader

On May 1, 2009 the Fleming County Fiscal Court entered into a lease agreement with Trinity, A Division of Bank of the West for the purchase of a 2009 Case 580SM tractor loader. The agreement requires monthly interest and principal payments beginning May 1, 2009 with a 4.88% interest rate to be paid in full April 2014. The principal balance of the agreement was \$11,600 as of June 30, 2013. Lease payments for the remaining year are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 11,600	\$ 213
Totals	<u>\$ 11,600</u>	<u>\$ 213</u>

B. Capital Lease – Sheriff’s Explorer Vehicle

On August 31, 2009 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a vehicle for the Sheriff’s office. The agreement requires monthly interest and principal payments beginning October 20, 2009 with a variable interest rate to be paid in full August 2014. The Sheriff’s Office makes the debt service payments. The principal balance of the agreement was \$6,554 as of June 30, 2013. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Interest
2014	\$ 5,594	\$ 379
2015	960	40
Totals	<u>\$ 6,554</u>	<u>\$ 419</u>

C. Capital Lease – Sheriff’s Vehicle

On June 17, 2011 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a vehicle for the Sheriff’s office. The agreement requires monthly interest and principal payments beginning July 20, 2011 with a 1.85% interest rate to be paid in full May 2014. The Sheriff’s Office makes the debt service payments. The principal balance of the agreement was \$8,155 as of June 30, 2013. Lease payments for the remaining year are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 8,155	\$ 105
Totals	<u>\$ 8,155</u>	<u>\$ 105</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

D. Capital Lease – Dump Truck

On March 7, 2012 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a dump truck. The agreement requires monthly interest and principal payments beginning April 20, 2012 with a variable interest rate to be paid in full March 2016. The principal balance of the agreement was \$37,580 as of June 30, 2013. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 13,370	\$ 1,434
2015	13,706	818
2016	10,504	201
Totals	<u>\$ 37,580</u>	<u>\$ 2,453</u>

E. Mortgage Revenue Bond Anticipation Notes

On May 1, 2010, Fleming Public Properties Corporation issued first mortgage revenue bond anticipation notes in the amount of \$13,510,000. The proceeds of this issue were used to provide funding for financing of the Justice Center project. The notes were issued with a variable interest rate of 1 to 4.25 percent, with a retirement date of November 1, 2029. Semi-annual interest payments are due on November 1 and May 1 of each year and principal payments are due annually on November 1 of each year. The principal balance of the agreement was \$11,710,000 as of June 30, 2013. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2014	\$ 545,000	\$ 424,978
2015	555,000	412,867
2016	570,000	397,658
2017	590,000	380,258
2018	605,000	362,030
2019-2023	3,365,000	1,473,693
2024-2028	4,105,000	736,025
2029-2030	1,375,000	48,131
Totals	<u>\$ 11,710,000</u>	<u>\$ 4,235,640</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 4. Long-term Debt (Continued)

F. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds	\$ 12,240,000	\$	\$ 530,000	\$ 11,710,000	\$ 545,000
Financing Obligations	107,649		43,760	63,889	38,719
Total Long-term Debt	<u>\$ 12,347,649</u>	<u>\$ 0</u>	<u>\$ 573,760</u>	<u>\$ 11,773,889</u>	<u>\$ 583,719</u>

Note 5. 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 19.55 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 37.60 percent.

The county's contribution for FY 2011 was \$299,463, FY 2012 was \$330,532, and FY 2013 was \$342,558.

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.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 5. Employee Retirement System (Continued)

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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 6. Deferred Compensation

On February 24, 2000, the Fleming 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 Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2013
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2013, Fleming County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Related Party Transactions

Magistrate James Smoot's brother sometimes performs emergency non-routine maintenance at the courthouse. The total spent during fiscal year 2013 was \$537.

Note 9. Change in Basis of Accounting and Prior Period Adjustments

Fleming County, Kentucky, has changed its basis of accounting from presenting its financial statements in accordance with the modified cash basis of accounting and relevant Government Accounting Standards Board (GASB) pronouncements to the regulatory basis of accounting as prescribed or permitted by the Department for Local Government and the laws of the Commonwealth of Kentucky. The net effect was a decrease to the beginning balance of the General Fund by \$2,731 and an increase to the balance of the Jail Fund by \$2,731, respectively on the *Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents-Regulatory Basis*.

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FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2013

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,460,500	\$ 1,460,500	\$ 1,677,104	\$ 216,604
Excess Fees	125,000	125,000	86,532	(38,468)
Licenses and Permits	25,700	25,700	28,043	2,343
Intergovernmental	1,093,785	1,093,785	282,781	(811,004)
Charges for Services	125	125	50	(75)
Miscellaneous	334,500	464,822	505,841	41,019
Interest	1,250	1,250	2,794	1,544
Total Receipts	<u>3,040,860</u>	<u>3,171,182</u>	<u>2,583,145</u>	<u>(588,037)</u>
DISBURSEMENTS				
General Government	846,317	921,041	881,905	39,136
Protection to Persons and Property	880,591	890,814	123,703	767,111
General Health and Sanitation	48,200	47,500	27,848	19,652
Social Services	5,500	5,500	2,773	2,727
Recreation and Culture	64,991	69,198	39,609	29,589
Airports	7,500	7,500	7,500	
Debt Service		58,451	58,451	
Capital Projects	1,400	1,400	368	1,032
Administration	877,788	890,900	809,079	81,821
Total Disbursements	<u>2,732,287</u>	<u>2,892,304</u>	<u>1,951,236</u>	<u>941,068</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>308,573</u>	<u>278,878</u>	<u>631,909</u>	<u>353,031</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(758,573)	(865,573)	(796,363)	69,210
Total Other Adjustments to Cash (Uses)	<u>(758,573)</u>	<u>(865,573)</u>	<u>(796,363)</u>	<u>69,210</u>
Net Change in Cash Balances and Cash Equivalents	(450,000)	(586,695)	(164,454)	422,241
Cash Balances and Cash Equivalents - Beginning	<u>450,000</u>	<u>590,345</u>	<u>590,345</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 3,650</u>	<u>\$ 425,891</u>	<u>\$ 422,241</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,731,089	\$ 2,037,735	\$ 1,848,313	\$ (189,422)
Miscellaneous	7,000	14,757	32,767	18,010
Interest	950	950	650	(300)
Total Receipts	<u>1,739,039</u>	<u>2,053,442</u>	<u>1,881,730</u>	<u>(171,712)</u>
DISBURSEMENTS				
Protection to Persons and Property		2,313	2,313	
Transportation Facilities and Services	20,000	5,000	3,738	1,262
Roads	1,668,734	2,088,337	1,997,179	91,158
Administration	250,305	253,803	196,523	57,280
Total Disbursements	<u>1,939,039</u>	<u>2,349,453</u>	<u>2,199,753</u>	<u>149,700</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(200,000)</u>	<u>(296,011)</u>	<u>(318,023)</u>	<u>(22,012)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>200,000</u>	<u>232,000</u>	<u>367,000</u>	<u>135,000</u>
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>232,000</u>	<u>367,000</u>	<u>135,000</u>
Net Change in Cash Balances and Cash Equivalents		(64,011)	48,977	112,988
Cash Balances and Cash Equivalents - Beginning		<u>14,011</u>	<u>14,011</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 62,988</u>	<u>\$ 112,988</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 80,050	\$ 105,293	\$ 119,444	\$ 14,151
Charges for Services	38,000	38,000	41,635	3,635
Miscellaneous	100	100	1	(99)
Interest	50	50	20	(30)
Total Receipts	<u>118,200</u>	<u>143,443</u>	<u>161,100</u>	<u>17,657</u>
DISBURSEMENTS				
Protection to Persons and Property	535,198	545,198	422,280	122,918
Administration	42,075	59,550	24,346	35,204
Total Disbursements	<u>577,273</u>	<u>604,748</u>	<u>446,626</u>	<u>158,122</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(459,073)</u>	<u>(461,305)</u>	<u>(285,526)</u>	<u>175,779</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>458,573</u>	<u>458,573</u>	<u>287,538</u>	<u>(171,035)</u>
Total Other Adjustments to Cash (Uses)	<u>458,573</u>	<u>458,573</u>	<u>287,538</u>	<u>(171,035)</u>
Net Change in Cash Balances and Cash Equivalents	(500)	(2,732)	2,012	4,744
Cash Balances and Cash Equivalents - Beginning	<u>500</u>	<u>2,732</u>	<u>2,731</u>	<u>(1)</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,743</u>	<u>\$ 4,743</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 50,169	\$ (34,831)
Miscellaneous	50	50	810	760
Interest	300	300	584	284
Total Receipts	<u>85,350</u>	<u>85,350</u>	<u>51,563</u>	<u>(33,787)</u>
DISBURSEMENTS				
Roads	101,000	51,000	35,610	15,390
Debt Service	33,570	33,654	32,794	860
Administration	51,780	57,678		57,678
Total Disbursements	<u>186,350</u>	<u>142,332</u>	<u>68,404</u>	<u>73,928</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(101,000)</u>	<u>(56,982)</u>	<u>(16,841)</u>	<u>40,141</u>
Net Change in Cash Balances and Cash Equivalents	(101,000)	(56,982)	(16,841)	40,141
Cash Balances and Cash Equivalents - Beginning	<u>101,000</u>	<u>106,982</u>	<u>106,982</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 90,141</u>	<u>\$ 40,141</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,300	\$ 1,300	\$ 1,233	\$ (67)
Charges for Services	200	200		(200)
Total Receipts	<u>1,500</u>	<u>1,500</u>	<u>1,233</u>	<u>(267)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,500	2,521	1,480	1,041
Total Disbursements	<u>2,500</u>	<u>2,521</u>	<u>1,480</u>	<u>1,041</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,000)</u>	<u>(1,021)</u>	<u>(247)</u>	<u>774</u>
Net Change in Cash Balances and Cash Equivalents	(1,000)	(1,021)	(247)	774
Cash Balances and Cash Equivalents - Beginning	<u>1,000</u>	<u>1,021</u>	<u>1,022</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 775</u>	<u>\$ 775</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 50	\$ 50	\$ 0	\$ (50)
Interest	525	525	488	(37)
Total Receipts	<u>575</u>	<u>575</u>	<u>488</u>	<u>(87)</u>
DISBURSEMENTS				
General Government	75,000	75,000		75,000
General Health and Sanitation	30,000	30,000		30,000
Administration	14,925	15,170		15,170
Total Disbursements	<u>119,925</u>	<u>120,170</u>		<u>120,170</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(119,350)</u>	<u>(119,595)</u>	488	<u>120,083</u>
Net Change in Cash Balances and Cash Equivalents	(119,350)	(119,595)	488	120,083
Cash Balances and Cash Equivalents - Beginning	<u>119,350</u>	<u>119,595</u>	<u>119,595</u>	
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 120,083</u>	<u>\$ 120,083</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	DISPATCH FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 222,000	\$ 222,000	\$ 227,604	\$ 5,604
Intergovernmental	100,000	100,000	107,080	7,080
Miscellaneous	1,000	35,441	34,947	(494)
Interest	1,075	1,075	1,883	808
Total Receipts	<u>324,075</u>	<u>358,516</u>	<u>371,514</u>	<u>12,998</u>
DISBURSEMENTS				
Protection to Persons and Property	361,854	414,852	377,562	37,290
Administration	292,221	294,058	62,144	231,914
Total Disbursements	<u>654,075</u>	<u>708,910</u>	<u>439,706</u>	<u>269,204</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(330,000)</u>	<u>(350,394)</u>	<u>(68,192)</u>	<u>282,202</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,825	1,825
Total Other Adjustments to Cash (Uses)			<u>1,825</u>	<u>1,825</u>
Net Change in Cash Balances and Cash Equivalents	(330,000)	(350,394)	(66,367)	284,027
Cash Balances and Cash Equivalents - Beginning	<u>330,000</u>	<u>346,744</u>	<u>346,774</u>	<u>30</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ (3,650)</u>	<u>\$ 280,407</u>	<u>\$ 284,057</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2013
(Continued)

	CAPITAL IMPROVEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,050	\$ 1,050	\$ 1,786	\$ 736
Total Receipts	<u>1,050</u>	<u>1,050</u>	<u>1,786</u>	<u>736</u>
DISBURSEMENTS				
General Government	1,000	1,000		1,000
Capital Projects	200,000	234,680	234,680	
Administration	250,050	326,577	140	326,437
Total Disbursements	<u>451,050</u>	<u>562,257</u>	<u>234,820</u>	<u>327,437</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(450,000)</u>	<u>(561,207)</u>	<u>(233,034)</u>	<u>328,173</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	100,000	175,000	140,000	(35,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>175,000</u>	<u>140,000</u>	<u>(35,000)</u>
Net Change in Cash Balances and Cash Equivalents	(350,000)	(386,207)	(93,034)	293,173
Cash Balances and Cash Equivalents - Beginning	<u>350,000</u>	<u>386,207</u>	<u>386,208</u>	<u>1</u>
Cash Balances and Cash Equivalents - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 293,174</u>	<u>\$ 293,174</u>

FLEMING COUNTY
NOTES TO SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. 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 disbursements 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. Disbursements may not exceed budgeted appropriations at the activity level.

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FLEMING COUNTY
SUPPLEMENTARY SCHEDULE
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

FLEMING COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2013

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,818,772	\$	\$ 67,962	\$ 1,750,810
Construction In Progress	163,895	225,440		389,335
Buildings	13,284,745			13,284,745
Equipment	1,330,238	34,241		1,364,479
Land Improvements	45,575			45,575
Vehicles	716,975	84,210	13,945	787,240
Infrastructure	3,743,456	832,498		4,575,954
Total Capital Assets	<u>\$ 21,103,656</u>	<u>\$ 1,176,389</u>	<u>\$ 81,907</u>	<u>\$22,198,138</u>

FLEMING COUNTY
NOTES TO OTHER INFORMATION

June 30, 2013

Note 1. 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 as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

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



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming 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**

Independent Auditor's Report

We have audited, 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, the Statement of Receipts, Disbursements, and Changes in Cash Balances and Cash Equivalents - Regulatory Basis of the Fleming County Fiscal Court for the fiscal year ended June 30, 2013 and the related notes to the financial statement and have issued our report thereon dated March 21, 2014. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Fleming County Fiscal Court's internal control over financial reporting to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fleming County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fleming County Fiscal Court's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fleming County Fiscal Court's financial statement 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2013-01 and 2013-02.

County Judge's Responses to Findings

The Fleming County Judge's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The County Judge's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

March 21, 2014

**FLEMING COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2013

FLEMING COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2013

STATE LAWS AND REGULATIONS:

2013-01 Fiscal Court Should Bid For Projects And Material When The Costs May Exceed \$20,000

Fiscal Court has been working for the past few years, as funds became available, on remodeling a spec building and developing property at the industrial park for use as the location of the new county road garage. In late FY 2011-2012, the land where the former road garage was located was purchased by the City of Flemingsburg and the property needed to be vacated. The new county road garage at the industrial park was not yet completed. In order to expedite the completion of the new county road garage, materials were purchased and builders were hired without the project being bid. During the fiscal year ended June 30, 2013 three vendors were paid more than \$20,000 each. KRS 424.260 states that no county may make a contract or agreement for materials, supplies, equipment or contractual services of more than \$20,000 without first making newspaper advertisement for bids. Even though there was some uncertainty about what the total cost of completing the new county road garage would be, it is always in the best interest of the fiscal court to obtain bids when there is potential for costs to exceed \$20,000. We recommend the fiscal court comply with bid requirements for projects and materials when costs may exceed \$20,000 as required by KRS 424.260.

County Judge/Executive Larry Foxworthy's Response: Each segment of this construction project was done as there were funds available. These contractors were not paid any more than \$20,000 for a completed segment. The interior completion was done over a period of several months. There was no intent to not comply with the bid process.

2013-02 The Fiscal Court Should Either Deal Directly With State Price Contract Vendors Or Advertise For Bids On Purchases Of Vehicles That Exceed \$20,000 In Compliance With KRS 424.260

During disbursements testing, we noted the Fiscal Court purchased a Ford truck for \$25,318 and a Chevrolet truck for \$24,600 from local vendors without advertising for bids. Making purchases over \$20,000 without advertising for bids are allowable if purchases are made from an approved state contract vendor for the state contract price. However these purchases were made from a local vendor not from the approved state contract vendor, causing the necessity to advertise for bids.

In order to use a vendor for any purchase over \$20,000, without advertising for bids, the county should adopt the state's Model Procurement Code (KRS 45A.363-460) and they would have the following options:

1. Purchasing the trucks from state price contract vendors.
2. Advertising for bids to negotiate a lower price.
3. Negotiating directly with a vendor as long as the final price does not exceed the state price contract.

Since the Fiscal Court has not adopted the state's Model Procurement Code, they can either purchase from an approved state contract vendors or advertise for bids. We recommend the Fiscal Court deal directly with state price contract vendors or advertise for bids for all purchases of \$20,000 or more in accordance with KRS 424.260, if the Fiscal Court chooses not to adopt the state's Model Procurement Code.

County Judge/Executive Larry Foxworthy's Response: These vehicles were purchased from local vendors. Prices were the same as state contract pricing. I think as long as there is no difference in price they should be purchased from these local dealers because it is their tax money that pays for them.

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

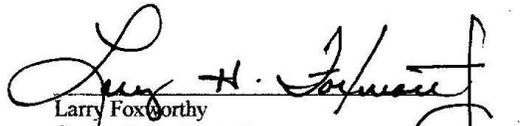
FLEMING COUNTY FISCAL COURT

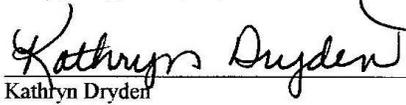
**For The Fiscal Year Ended
June 30, 2013**

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

For The Fiscal Year Ended June 30, 2013

The Fleming 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.


Larry Foxworthy
County Judge/Executive


Kathryn Dryden
County Treasurer

