

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

**For The Fiscal Year Ended  
June 30, 2015**

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To the People of Kentucky  
Honorable Matthew G. Bevin, Governor  
William M. Landrum, III, Secretary  
Finance and Administration Cabinet  
Honorable Larry Foxworthy, Fleming County Judge/Executive  
Members of the Fleming County Fiscal Court

## **Independent Auditors' Report**

### **Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Fleming County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Fleming County Fiscal Court's financial statement as listed in the table of contents.

### **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.

### **Auditors' 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 auditors' 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 auditors consider 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 of the financial statement, the financial statement is prepared by Fleming County Fiscal Court 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 Fiscal Court as of June 30, 2015, 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 fund balances of Fleming County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Fleming County Fiscal Court. The budgetary comparison schedules and schedule of capital assets are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented 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.

The budgetary comparison schedules and schedule of capital assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has 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

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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 and schedule of capital assets are fairly stated in all material respects in relation to the financial statement as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2016 on our consideration of Fleming County Fiscal Court'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* in considering Fleming County Fiscal Court's internal control over financial reporting and compliance.

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC  
West Liberty, Kentucky

January 25, 2016

## **FLEMING COUNTY OFFICIALS**

For The Year Ended June 30, 2015

### **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
Jarrod Fritz	County Clerk
Amy Saunders	Circuit Court Clerk
Gary Kinder	Sheriff
Michele Butler	Property Valuation Administrator
Winston Grannis	Coroner

### **Appointed Personnel:**

Kathryn Dryden	County Treasurer
Tammy Gray	Finance Officer

**FLEMING COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2015**

**FLEMING COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2015**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,727,938	\$	\$
Excess Fees	119,296		
Licenses and Permits	28,039		
Intergovernmental	463,422	1,958,287	98,722
Charges for Services	25		26,038
Miscellaneous	351,592	21,260	
Interest	1,898	664	39
Total Receipts	<u>2,692,210</u>	<u>1,980,211</u>	<u>124,799</u>
<b>DISBURSEMENTS</b>			
General Government	881,068		
Protection to Persons and Property	103,926		354,335
General Health and Sanitation	224,328		
Social Services	8,375		
Recreation and Culture	38,500		
Transportation Services and Facilities		2,655	
Roads		1,972,232	
Airports			
Debt Service			
Capital Projects			
Administration	803,257	209,606	26,625
Total Disbursements	<u>2,059,454</u>	<u>2,184,493</u>	<u>380,960</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	632,756	(204,282)	(256,161)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds		513,990	255,500
Transfers To Other Funds	(582,359)	(230,000)	
Total Other Adjustments to Cash (Uses)	<u>(582,359)</u>	<u>283,990</u>	<u>255,500</u>
Net Change in Fund Balances	50,397	79,708	(661)
Fund Balances - Beginning	426,707	18,346	3,338
Fund Balances - Ending	<u>\$ 477,104</u>	<u>\$ 98,054</u>	<u>\$ 2,677</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 290,950	\$ 125,350	\$ 3,147
Plus: Deposits In Transit			801
Less: Outstanding Checks	(30,307)	(27,296)	(1,271)
Certificate of Deposits	<u>200,000</u>		
Fund Balance - Ending	<u>\$ 460,643</u>	<u>\$ 98,054</u>	<u>\$ 2,677</u>

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



**FLEMING COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>Budgeted Funds</b>		
	<b>Local Government Economic Assistance Fund</b>	<b>Forest Fire Fund</b>	<b>Revolving Loan Fund</b>
<b>RECEIPTS</b>			
Taxes	\$	\$ 1,224	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	63,117		
Charges for Services		228	
Miscellaneous	150		
Interest	91		196
Total Receipts	63,358	1,452	196
<b>DISBURSEMENTS</b>			
General Government		1,480	8,000
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Transportation Services and Facilities			
Roads			
Airports			7,500
Debt Service	48,489		
Capital Projects			
Administration			
Total Disbursements	48,489	1,480	15,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	14,869	(28)	(15,304)
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds			
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)			
Net Change in Fund Balances	14,869	(28)	(15,304)
Fund Balances - Beginning	28,360	534	80,778
Fund Balances - Ending	\$ 43,229	\$ 506	\$ 65,474
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 8,229	\$ 506	\$ 3,474
Plus: Deposits In Transit			
Less: Outstanding Checks			
Certificate of Deposits	35,000		62,000
Fund Balance - Ending	\$ 43,229	\$ 506	\$ 65,474

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

**FLEMING COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	
	<u>Dispatch Fund</u>	<u>Capital Improvement Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
<b>RECEIPTS</b>				
Taxes	\$ 217,344	\$	\$	\$ 1,946,506
Excess Fees				119,296
Licenses and Permits				28,039
Intergovernmental	108,231	255,347	970,068	3,917,194
Charges for Services				26,291
Miscellaneous	9,094	8,626		390,722
Interest	613	626		4,127
Total Receipts	<u>335,282</u>	<u>264,599</u>	<u>970,068</u>	<u>6,432,175</u>
<b>DISBURSEMENTS</b>				
General Government				890,548
Protection to Persons and Property	335,058	274,596		1,067,915
General Health and Sanitation				224,328
Social Services				8,375
Recreation and Culture				38,500
Transportation Services and Facilities				2,655
Roads				1,972,232
Airports				7,500
Debt Service				48,489
Capital Projects		19,635	967,868	987,503
Administration	65,116		2,200	1,106,804
Total Disbursements	<u>400,174</u>	<u>294,231</u>	<u>970,068</u>	<u>6,354,849</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(64,892)	(29,632)		77,326
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	10,221	262,648		1,042,359
Transfers To Other Funds		(230,000)		(1,042,359)
Total Other Adjustments to Cash (Uses)	<u>10,221</u>	<u>32,648</u>		
Net Change in Fund Balances	(54,671)	3,016		77,326
Fund Balances - Beginning	251,104	300,047	61,412	1,170,626
Fund Balances - Ending	<u>\$ 196,433</u>	<u>\$ 303,063</u>	<u>\$ 61,412</u>	<u>\$ 1,247,952</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 80,591	\$ 83,063	\$ 61,412	\$ 656,722
Plus: Deposits In Transit	17,022			17,823
Less: Outstanding Checks	(1,180)			(60,054)
Certificate of Deposits	100,000	220,000		617,000
Fund Balance - Ending	<u>\$ 196,433</u>	<u>\$ 303,063</u>	<u>\$ 61,412</u>	<u>\$ 1,231,491</u>

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

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**FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2015**

**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 fund balances 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, 2015  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (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 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 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* 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.

**FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT  
June 30, 2015  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

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.

**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 Fiscal Court.

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

**F. Deposits and Investments**

The government's fund balance is 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. The government's fund balance includes cash and cash equivalents and investments.

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, 2015**  
**(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. As of June 30, 2015, 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, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

	General Fund	Road Fund	Capital Improvements Fund	Total Transfers In
Road Fund	\$ 283,990	\$	\$ 230,000	\$ 513,990
Jail Fund	255,500			255,500
Dispatch Fund	10,221			10,221
Capital Improvements Fund	32,648	230,000		262,648
Total Transfers Out	<u>\$ 582,359</u>	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 1,042,359</u>

Reason for transfers:

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

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Bonds**

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 \$10,610,000 as of June 30, 2015. Future principal and interest payments are as follows:

**FLEMING COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**A. (Continued)**

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2016	\$ 570,000	\$ 399,658
2017	590,000	382,258
2018	605,000	364,030
2019	625,000	344,340
2020	650,000	322,653
2021-2025	3,630,000	1,206,073
2026-2030	<u>3,940,000</u>	<u>396,784</u>
Totals	<u>\$ 10,610,000</u>	<u>\$ 3,415,796</u>

**B. Capital Lease – Dump Truck**

On February 5, 2014, the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a truck. The agreement requires monthly interest payments beginning March 20, 2014 and principal payments beginning August 20, 2014 with a 3.95% interest rate to be paid in full February 2018. As of June 30, 2015, the principal balance on this lease agreement was \$129,378. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 42,900	\$ 4,123
2017	43,126	2,423
2018	<u>43,352</u>	<u>714</u>
Totals	<u>\$ 129,378</u>	<u>\$ 7,260</u>

**C. Capital Lease – Sheriff’s Vehicles**

On February 21, 2014, the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of vehicles for the Sheriff’s office. The agreement requires monthly interest and principal payments beginning March 20, 2014 with a 3.95% interest rate to be paid in full February 2018. The Sheriff’s Office makes the debt service payments. As of June 30, 2015, the principal balance on this lease agreement was \$41,048. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2016	\$ 14,991	\$ 1,352
2017	15,470	751
2018	<u>10,587</u>	<u>157</u>
Totals	<u>\$ 41,048</u>	<u>\$ 2,260</u>



**FLEMING COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Long-term Debt Maturity in the Aggregate**

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2016	\$ 627,891	\$ 405,133
2017	648,596	385,432
2018	658,939	364,901
2019	625,000	344,340
2020	650,000	322,653
2021-2025	3,630,000	1,206,073
2026-2030	3,940,000	396,784
Totals	<u>\$ 10,780,426</u>	<u>\$ 3,425,316</u>

**E. Changes In Long-term Debt**

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 11,165,000	\$	\$ 555,000	\$ 10,610,000	\$ 570,000
Financing Obligations	227,629		57,203	170,426	57,891
Total Long-term Debt	<u>\$ 11,392,629</u>	<u>\$ 0</u>	<u>\$ 612,203</u>	<u>\$ 10,780,426</u>	<u>\$ 627,891</u>

**Note 5. Employee Retirement System**

**A. Plan Description**

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 that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. 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 17.67 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 34.31 percent.

**FLEMING COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$342,558, FY 2014 was \$343,746, and FY 2015 was \$313,924.

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.

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:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
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. 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.

**FLEMING COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

**A. Plan Description (Continued)**

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.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. 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.

**B. Net Pension Liability**

As promulgated by GASB Statement 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for employers participating in CERS was determined by an actuarial valuation as for June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Fleming County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Hazardous	\$ 788,000	\$ 705,000
Non-Hazardous	<u>1,721,000</u>	<u>1,521,000</u>
Totals	<u>\$ 2,509,000</u>	<u>\$ 2,226,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at [www.kyret.gov](http://www.kyret.gov) or can be obtained as described above.

**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.

**FLEMING COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2015**  
**(Continued)**

**Note 6. Deferred Compensation (Continued)**

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.

**Note 7. Insurance**

For the fiscal year ended June 30, 2015, 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. There have been no settlements that have exceeded insurance coverage for each of the past three fiscal years.

**Note 8. Related Party Transactions**

Magistrate James Smoot's brother occasionally performs emergency non-routine maintenance at the courthouse. The total spent during fiscal year 2015 was \$2,458.

**Note 9. Subsequent Review**

Subsequent events have been evaluated through January 25, 2016, which is the date the financial statements were available to be issued.

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,507,222	\$ 1,507,222	\$ 1,727,938	\$ 220,716
Excess Fees	102,036	140,200	119,296	(20,904)
Licenses and Permits	25,700	25,700	28,039	2,339
Intergovernmental	1,634,368	1,634,368	463,422	(1,170,946)
Charges for Services	50	50	25	(25)
Miscellaneous	344,100	344,100	351,592	7,492
Interest	750	750	1,898	1,148
Total Receipts	<u>3,614,226</u>	<u>3,652,390</u>	<u>2,692,210</u>	<u>(960,180)</u>
<b>DISBURSEMENTS</b>				
General Government	917,693	943,877	881,068	62,809
Protection to Persons and Property	857,919	609,010	103,926	505,084
General Health and Sanitation	637,700	639,048	224,328	414,720
Social Services	9,500	9,500	8,375	1,125
Recreation and Culture	43,813	44,813	38,500	6,313
Administration	912,924	996,277	803,257	193,020
Total Disbursements	<u>3,379,549</u>	<u>3,242,525</u>	<u>2,059,454</u>	<u>1,183,071</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	234,677	409,865	632,756	222,891
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds				
Transfers To Other Funds	(534,677)	(534,677)	(582,359)	(47,682)
Total Other Adjustments to Cash (Uses)	<u>(534,677)</u>	<u>(534,677)</u>	<u>(582,359)</u>	<u>(47,682)</u>
Net Change in Fund Balances	(300,000)	(124,812)	50,397	175,209
Fund Balances - Beginning	<u>300,000</u>	<u>426,707</u>	<u>426,707</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 301,895</u>	<u>\$ 477,104</u>	<u>\$ 175,209</u>

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,982,859	\$ 2,270,759	\$ 1,958,287	\$ (312,472)
Miscellaneous	7,000	7,000	21,260	14,260
Interest	450	450	664	214
Total Receipts	<u>1,990,309</u>	<u>2,278,209</u>	<u>1,980,211</u>	<u>(297,998)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	7,000	1,228		1,228
Transportation Facilities and Services	8,500	2,655	2,655	0
Roads	1,813,553	2,218,659	1,972,232	246,427
Administration	261,256	224,012	209,606	14,406
Total Disbursements	<u>2,090,309</u>	<u>2,446,554</u>	<u>2,184,493</u>	<u>262,061</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(100,000)	(168,345)	(204,282)	(35,937)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	100,000	100,000	513,990	413,990
Transfers To Other Funds			(230,000)	(230,000)
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>283,990</u>	<u>183,990</u>
Net Change in Fund Balances		(68,345)	79,708	148,053
Fund Balances - Beginning		<u>18,345</u>	<u>18,346</u>	<u>1</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 98,054</u>	<u>\$ 148,054</u>

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 95,700	\$ 95,700	\$ 98,722	\$ 3,022
Charges for Services	20,000	20,000	26,038	6,038
Miscellaneous	100	100		(100)
Interest	75	75	39	(36)
Total Receipts	<u>115,875</u>	<u>115,875</u>	<u>124,799</u>	<u>8,924</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	504,443	504,129	354,335	149,794
Administration	46,609	49,761	26,625	23,136
Total Disbursements	<u>551,052</u>	<u>553,890</u>	<u>380,960</u>	<u>172,930</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(435,177)	(438,015)	(256,161)	181,854
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	434,677	434,677	255,500	(179,177)
Total Other Adjustments to Cash (Uses)	<u>434,677</u>	<u>434,677</u>	<u>255,500</u>	<u>(179,177)</u>
Net Change in Fund Balances	(500)	(3,338)	(661)	2,677
Fund Balances - Beginning	<u>500</u>	<u>3,338</u>	<u>3,338</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,677</u>	<u>\$ 2,677</u>



**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 30,000	\$ 39,594	\$ 63,117	\$ 23,523
Miscellaneous	50	50	150	100
Interest	155	155	91	(64)
Total Receipts	<u>30,205</u>	<u>39,799</u>	<u>63,358</u>	<u>23,559</u>
<b>DISBURSEMENTS</b>				
Roads				
Debt Service	48,469	48,489	48,489	0
Administration	9,236	19,670		19,670
Total Disbursements	<u>57,705</u>	<u>68,159</u>	<u>48,489</u>	<u>19,670</u>
Net Change in Fund Balances	(27,500)	(28,360)	14,869	43,229
Fund Balances - Beginning	<u>27,500</u>	<u>28,360</u>	<u>28,360</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,229</u>	<u>\$ 43,229</u>

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

**FOREST FIRE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 1,230	\$ 1,230	\$ 1,224	\$ (6)
Charges for Services	100	100	228	128
Total Receipts	1,330	1,330	1,452	122
<b>DISBURSEMENTS</b>				
General Government	1,480	1,480	1,480	0
Administration	350	350		350
Total Disbursements	1,830	1,830	1,480	350
Net Change in Fund Balances	(500)	(500)	(28)	472
Fund Balances - Beginning	500	500	534	34
Fund Balances - Ending	\$ 0	\$ 0	\$ 506	\$ 506

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>REVOLVING LOAN FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 50	\$ 50	\$	\$ (50)
Interest	125	125	196	71
Total Receipts	175	175	196	21
<b>DISBURSEMENTS</b>				
General Government	29,000	31,000	8,000	23,000
Airports	7,500	7,500	7,500	0
Administration	43,675	41,675		41,675
Total Disbursements	80,175	80,175	15,500	64,675
Net Change in Fund Balances	(80,000)	(80,000)	(15,304)	64,696
Fund Balances - Beginning	80,000	80,000	80,778	778
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 65,474</u>	<u>\$ 65,474</u>

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

	<b>DISPATCH FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 212,000	\$ 212,000	\$ 217,344	\$ 5,344
Intergovernmental	100,000	100,000	108,231	8,231
Miscellaneous	1,000	8,921	9,094	173
Interest	825	825	613	(212)
Total Receipts	<u>313,825</u>	<u>321,746</u>	<u>335,282</u>	<u>13,536</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	370,917	381,273	335,058	46,215
Administration	192,908	190,473	65,116	125,357
Total Disbursements	<u>563,825</u>	<u>571,746</u>	<u>400,174</u>	<u>171,572</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(250,000)	(250,000)	(64,892)	185,108
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			10,221	10,221
Total Other Adjustments to Cash (Uses)			<u>10,221</u>	<u>10,221</u>
Net Change in Fund Balances	(250,000)	(250,000)	(54,671)	195,329
Fund Balances - Beginning	<u>250,000</u>	<u>250,000</u>	<u>251,104</u>	<u>1,104</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 196,433</u>	<u>\$ 196,433</u>

**FLEMING COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**  
**(Continued)**

<b>CAPITAL IMPROVEMENTS FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$	\$	\$ 255,347	\$ 255,347
Miscellaneous			8,626	8,626
Interest	550	550	626	76
Total Receipts	550	550	264,599	264,049
<b>DISBURSEMENTS</b>				
General Government	1,000	1,000		1,000
Protection to Persons and Property		274,596	274,596	0
Capital Projects	10,000	19,635	19,635	0
Administration	289,550	257,214		257,214
Total Disbursements	300,550	552,445	294,231	258,214
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	(300,000)	(551,895)	(29,632)	522,263
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			262,648	262,648
Transfers To Other Funds			(230,000)	(230,000)
Total Other Adjustments to Cash (Uses)			32,648	32,648
Net Change in Fund Balances	(300,000)	(551,895)	3,016	554,911
Fund Balances - Beginning	300,000	300,000	300,047	47
Fund Balances - Ending	\$ 0	\$ (251,895)	\$ 303,063	\$ 554,958

**FLEMING COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION – BUDGETARY COMPARISON SCHEDULES**

**June 30, 2015**

**Note 1. Budgetary Information**

Annual budgets are adopted 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* 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.

**FLEMING COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2015**

**FLEMING COUNTY  
SCHEDULE OF CAPITAL ASSETS  
Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2015**

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land (Restated)	\$ 1,818,772	\$ 248,212	\$	\$ 2,066,984
Land Improvements	57,215			57,215
Buildings	13,699,291			13,699,291
Vehicles (Restated)	962,337	46,095		1,008,432
Equipment (Restated)	1,366,342	53,964	332	1,419,974
Infrastructure	5,177,530	818,182		5,995,712
 Total Capital Assets	 <u>\$ 23,081,487</u>	 <u>\$ 1,166,453</u>	 <u>\$ 332</u>	 <u>\$ 24,247,608</u>



**FLEMING COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION – SCHEDULE OF CAPITAL ASSETS**

**June 30, 2015**

**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

**Note 2. Prior Period Adjustments**

Prior period adjustments were made to increase/(decrease) the following categories:

- Land by \$67,962
- Vehicles by (\$5,900)
- Equipment by \$1,825

**INDEPENDENT AUDITORS' 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***

# *Morgan-Franklin, LLC*

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

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

We have audited, in accordance with the 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 Fund Balances - Regulatory Basis of Fleming County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise Fleming County Fiscal Court's financial statement and have issued our report thereon dated January 25, 2016.

### **Internal Control Over Financial Reporting**

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

**Independent Auditors' 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*Morgan - Franklin, LLC*

Morgan-Franklin, LLC  
West Liberty, Kentucky

January 25, 2016

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

**FLEMING COUNTY FISCAL COURT**

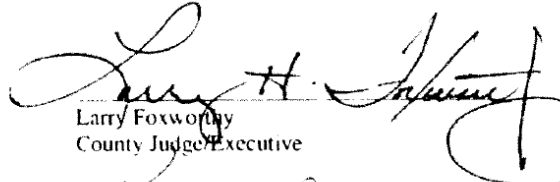
**For The Fiscal Year Ended  
June 30, 2015**

Appendix A

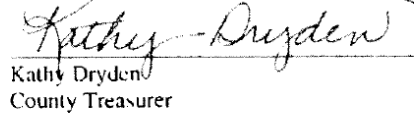
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
FLEMING COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

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



Kathy Dryden  
County Treasurer