

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

**For The Fiscal Year Ended
June 30, 2014**

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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 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, Kentucky, for the year ended June 30, 2014, 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.

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.

To the People of Kentucky
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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, 2014, 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, Kentucky as of June 30, 2014, 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.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2015 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.

Morgan - Franklin, LLC

Morgan-Franklin, LLC
West Liberty, Kentucky

June 10, 2015

FLEMING COUNTY OFFICIALS

For The Year Ended June 30, 2014

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
Scotty Royse	Sheriff
Connie Crain	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, 2014

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

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,672,719	\$	\$
Excess Fees	68,000		
Licenses and Permits	28,041		
Intergovernmental	340,953	1,653,455	106,966
Charges for Services	25		24,383
Miscellaneous	348,283	22,800	
Interest	371	722	48
Total Receipts	<u>2,458,392</u>	<u>1,676,977</u>	<u>131,397</u>
DISBURSEMENTS			
General Government	817,619		
Protection to Persons and Property	122,888	6,079	330,953
General Health and Sanitation	157,355		
Social Services	6,000		
Recreation and Culture	57,075		
Transportation Services and Facilities		7,937	
Roads		1,889,966	
Airports	7,500		
Debt Service			
Capital Projects			
Administration	834,155	211,170	26,849
Total Disbursements	<u>2,002,592</u>	<u>2,115,152</u>	<u>357,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	455,800	(438,175)	(226,405)
Other Adjustments to Cash (Uses)			
Lease Proceeds		172,054	
Transfers From Other Funds	5,790	226,258	225,000
Transfers To Other Funds	(460,773)	(5,000)	
Total Other Adjustments to Cash (Uses)	<u>(454,983)</u>	<u>393,312</u>	<u>225,000</u>
Net Change in Fund Balances	817	(44,863)	(1,405)
Fund Balances - Beginning (Restated)	425,890	63,208	4,743
Fund Balances - Ending	<u>\$ 426,707</u>	<u>\$ 18,345</u>	<u>\$ 3,338</u>
Composition of Fund Balance			
Bank Balance	\$ 123,575	\$ 44,893	\$ 5,579
Plus: Deposits In Transit			
Less: Outstanding Checks	(96,868)	(26,548)	(2,241)
Certificate of Deposits	400,000		
Fund Balance - Ending	<u>\$ 426,707</u>	<u>\$ 18,345</u>	<u>\$ 3,338</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, 2014
(Continued)

	Budgeted Funds		
	Local Government Economic Assistance Fund	Forest Fire Fund	Revolving Loan Fund
RECEIPTS			
Taxes	\$	\$ 1,237	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	39,498		
Charges for Services			
Miscellaneous	1,616		
Interest	136	1	194
Total Receipts	<u>41,250</u>	<u>1,238</u>	<u>194</u>
DISBURSEMENTS			
General Government		1,480	9,500
Protection to Persons and Property			
General Health and Sanitation			30,000
Social Services			
Recreation and Culture			
Transportation Services and Facilities			
Roads			
Airports			
Debt Service	53,032		
Capital Projects			
Administration			
Total Disbursements	<u>53,032</u>	<u>1,480</u>	<u>39,500</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(11,782)	(242)	(39,306)
Other Adjustments to Cash (Uses)			
Lease Proceeds			
Transfers From Other Funds			
Transfers To Other Funds	(50,000)		
Total Other Adjustments to Cash (Uses)	<u>(50,000)</u>		
Net Change in Fund Balances	(61,782)	(242)	(39,306)
Fund Balances - Beginning (Restated)	90,142	775	120,084
Fund Balances - Ending	<u>\$ 28,360</u>	<u>\$ 533</u>	<u>\$ 80,778</u>
Composition of Fund Balance			
Bank Balance	\$ 8,360	\$ 533	\$ 5,778
Plus: Deposits In Transit			
Less: Outstanding Checks			
Certificate of Deposits	<u>20,000</u>		<u>75,000</u>
Fund Balance - Ending	<u>\$ 28,360</u>	<u>\$ 533</u>	<u>\$ 80,778</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, 2014
(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>
RECEIPTS				
Taxes	\$ 222,645	\$	\$	\$ 1,896,601
Excess Fees				68,000
Licenses and Permits				28,041
Intergovernmental	121,296		971,978	3,234,146
Charges for Services				24,408
Miscellaneous	843			373,542
Interest	555	642		2,669
Total Receipts	<u>345,339</u>	<u>642</u>	<u>971,978</u>	<u>5,627,407</u>
DISBURSEMENTS				
General Government				828,599
Protection to Persons and Property	335,461			795,381
General Health and Sanitation				187,355
Social Services				6,000
Recreation and Culture				57,075
Transportation Services and Facilities				7,937
Roads				1,889,966
Airports				7,500
Debt Service			969,978	1,023,010
Capital Projects		25,211		25,211
Administration	66,464		2,000	1,140,638
Total Disbursements	<u>401,925</u>	<u>25,211</u>	<u>971,978</u>	<u>5,968,672</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(56,586)	(24,569)		(341,265)
Other Adjustments to Cash (Uses)				
Lease Proceeds				172,054
Transfers From Other Funds	27,283	48,490		532,821
Transfers To Other Funds		(17,048)		(532,821)
Total Other Adjustments to Cash (Uses)	<u>27,283</u>	<u>31,442</u>		<u>172,054</u>
Net Change in Fund Balances	(29,303)	6,873		(169,211)
Fund Balances - Beginning (Restated)	280,407	293,174	61,412	1,339,835
Fund Balances - Ending	<u>\$ 251,104</u>	<u>\$ 300,047</u>	<u>\$ 61,412</u>	<u>\$ 1,170,624</u>
Composition of Fund Balance				
Bank Balance	\$ 38,545	\$ 12,347	\$ 61,412	\$ 301,022
Plus: Deposits In Transit	24,000	37,700		61,700
Less: Outstanding Checks	(1,441)			(127,098)
Certificate of Deposits	190,000	250,000		935,000
Fund Balance - Ending	<u>\$ 251,104</u>	<u>\$ 300,047</u>	<u>\$ 61,412</u>	<u>\$ 1,170,624</u>

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, 2014

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, 2014
(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, 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 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, 2014
(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, Kentucky.

- 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, 2014
(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, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

	General Fund	Road Fund	LGEA Fund	Capital Improvements Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 5,790	\$ 5,790
Road Fund	165,000		50,000	11,258	226,258
Jail Fund	225,000				225,000
Dispatch Fund	27,283				27,283
Capital Improvements Fund	43,490	5,000			48,490
Total Transfers Out	<u>\$ 460,773</u>	<u>\$ 5,000</u>	<u>\$ 50,000</u>	<u>\$ 17,048</u>	<u>\$ 532,821</u>

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. As of June 30, 2014, the principal on this lease agreement was paid in full.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

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. As of June 30, 2014, the principal on this lease agreement was paid in full.

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. As of June 30, 2014, the principal on this lease agreement was paid in full.

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. As of June 30, 2014, the principal on this lease agreement was paid in full.

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 \$11,165,000 as of June 30, 2014. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2015	\$ 555,000	\$ 414,867
2016	570,000	399,658
2017	590,000	382,258
2018	605,000	364,030
2019	625,000	344,340
2020-2024	3,495,000	1,354,635
2025-2029	4,280,000	560,743
2030	445,000	9,456
Totals	<u>\$ 11,165,000</u>	<u>\$ 3,829,987</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

F. 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, 2014, the principal balance on this lease agreement was \$172,054. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 42,676	\$ 5,813
2016	42,900	4,123
2017	43,126	2,423
2018	43,352	714
Totals	<u>\$ 172,054</u>	<u>\$ 13,073</u>

G. 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, 2014, the principal balance on this lease agreement was \$55,575. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 14,527	\$ 1,934
2016	14,991	1,352
2017	15,470	751
2018	10,587	157
Totals	<u>\$ 55,575</u>	<u>\$ 4,194</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

H. Long-term Debt Maturity in the Aggregate

Fiscal Year Ended June 30	Principal	Scheduled Interest
2015	\$ 612,203	\$ 422,614
2016	627,891	405,133
2017	648,596	385,432
2018	658,939	364,901
2019	625,000	344,340
2020-2024	3,495,000	1,354,635
2025-2029	4,280,000	560,743
2030	445,000	9,456
Totals	<u>\$ 11,392,629</u>	<u>\$ 3,847,254</u>

I. Changes In Long-term Debt

Long-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 11,710,000	\$	\$ 545,000	\$ 11,165,000	\$ 555,000
Financing Obligations	63,889	232,371	68,631	227,629	57,203
Total Long-term Debt	<u>\$ 11,773,889</u>	<u>\$ 232,371</u>	<u>\$ 613,631</u>	<u>\$ 11,392,629</u>	<u>\$ 612,203</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 18.89 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 35.70 percent.

The county's contribution for FY 2012 was \$330,532, FY 2013 was \$342,558, and FY 2014 was \$343,746.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Employee Retirement System (Continued)

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

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

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.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

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.

Note 7. Insurance

For the fiscal year ended June 30, 2014, 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 occasionally performs emergency non-routine maintenance at the courthouse. The total spent during fiscal year 2014 was \$2,194.

Note 9. Prior Period Adjustment

Road Fund Balance – Beginning as previously reported has been restated and increased by \$220 for a prior year voided check.

Note 10. Subsequent Review

Subsequent events have been evaluated through June 10, 2015, 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, 2014

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,471,000	\$ 1,471,000	\$ 1,672,719	\$ 201,719
Excess Fees	107,000	107,000	68,000	(39,000)
Licenses and Permits	25,700	25,700	28,041	2,341
Intergovernmental	1,638,736	1,638,736	340,953	(1,297,783)
Charges for Services	125	125	25	(100)
Miscellaneous	348,105	348,105	348,283	178
Interest	1,250	1,250	371	(879)
Total Receipts	<u>3,591,916</u>	<u>3,591,916</u>	<u>2,458,392</u>	<u>(1,133,524)</u>
DISBURSEMENTS				
General Government	885,092	898,409	817,619	80,790
Protection to Persons and Property	857,244	857,615	122,888	734,727
General Health and Sanitation	637,700	635,869	157,355	478,514
Social Services	6,000	7,500	6,000	1,500
Recreation and Culture	71,991	73,118	57,075	16,043
Airports	7,500	7,500	7,500	0
Administration	901,926	913,333	834,155	79,178
Total Disbursements	<u>3,367,453</u>	<u>3,393,344</u>	<u>2,002,592</u>	<u>1,390,752</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	224,463	198,572	455,800	257,228
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			5,790	5,790
Transfers To Other Funds	(624,463)	(624,463)	(460,773)	163,690
Total Other Adjustments to Cash (Uses)	<u>(624,463)</u>	<u>(624,463)</u>	<u>(454,983)</u>	<u>169,480</u>
Net Change in Fund Balances	(400,000)	(425,891)	817	426,708
Fund Balances - Beginning	400,000	425,891	425,890	(1)
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 426,707</u>	<u>\$ 426,707</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,593,974	\$ 1,958,070	\$ 1,653,455	\$ (304,615)
Miscellaneous	8,500	16,592	22,800	6,208
Interest	700	825	722	(103)
Total Receipts	<u>1,603,174</u>	<u>1,975,487</u>	<u>1,676,977</u>	<u>(298,510)</u>
DISBURSEMENTS				
Protection to Persons and Property		6,079	6,079	0
Transportation Facilities and Services	5,000	7,937	7,937	0
Roads	1,524,244	2,201,043	1,889,966	311,077
Administration	289,930	211,470	211,170	300
Total Disbursements	<u>1,819,174</u>	<u>2,426,529</u>	<u>2,115,152</u>	<u>311,377</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(216,000)	(451,042)	(438,175)	12,867
Other Adjustments to Cash (Uses)				
Lease Proceeds		172,054	172,054	0
Transfers From Other Funds	166,000	166,000	226,258	60,258
Transfers To Other Funds			(5,000)	(5,000)
Total Other Adjustments to Cash (Uses)	<u>166,000</u>	<u>338,054</u>	<u>393,312</u>	<u>55,258</u>
Net Change in Fund Balances	(50,000)	(112,988)	(44,863)	68,125
Fund Balances - Beginning (Restated)	<u>50,000</u>	<u>62,988</u>	<u>63,208</u>	<u>220</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (50,000)</u>	<u>\$ 18,345</u>	<u>\$ 68,345</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 92,800	\$ 96,909	\$ 106,966	\$ 10,057
Charges for Services	38,000	38,000	24,383	(13,617)
Miscellaneous	100	100		(100)
Interest	75	75	48	(27)
Total Receipts	<u>130,975</u>	<u>135,084</u>	<u>131,397</u>	<u>(3,687)</u>
DISBURSEMENTS				
Protection to Persons and Property	549,157	567,498	330,953	236,545
Administration	40,781	30,793	26,849	3,944
Total Disbursements	<u>589,938</u>	<u>598,291</u>	<u>357,802</u>	<u>240,489</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(458,963)	(463,207)	(226,405)	236,802
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	458,463	458,463	225,000	(233,463)
Total Other Adjustments to Cash (Uses)	<u>458,463</u>	<u>458,463</u>	<u>225,000</u>	<u>(233,463)</u>
Net Change in Fund Balances	(500)	(4,744)	(1,405)	3,339
Fund Balances - Beginning	<u>500</u>	<u>4,744</u>	<u>4,743</u>	<u>(1)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,338</u>	<u>\$ 3,338</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 39,498	\$ 14,498
Miscellaneous	50	50	1,616	1,566
Interest	230	230	136	(94)
Total Receipts	<u>25,280</u>	<u>25,280</u>	<u>41,250</u>	<u>15,970</u>
DISBURSEMENTS				
Roads	50,000			
Debt Service	25,542	58,376	53,032	5,344
Administration	39,738	7,045		7,045
Total Disbursements	<u>115,280</u>	<u>65,421</u>	<u>53,032</u>	<u>12,389</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(90,000)	(40,141)	(11,782)	28,359
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(50,000)	(50,000)
Total Other Adjustments to Cash (Uses)			<u>(50,000)</u>	<u>(50,000)</u>
Net Change in Fund Balances	(90,000)	(40,141)	(61,782)	(21,641)
Fund Balances - Beginning	<u>90,000</u>	<u>90,141</u>	<u>90,142</u>	<u>1</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 50,000</u>	<u>\$ 28,360</u>	<u>\$ (21,640)</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	FOREST FIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,230	\$ 1,230	\$ 1,237	\$ 7
Charges for Services	100	100		(100)
Interest			1	1
Total Receipts	1,330	1,330	1,238	(92)
DISBURSEMENTS				
General Government	1,480	1,480	1,480	0
Administration	550	625		625
Total Disbursements	2,030	2,105	1,480	625
Net Change in Fund Balances	(700)	(775)	(242)	533
Fund Balances - Beginning	700	775	775	0
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 533</u>	<u>\$ 533</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 50	\$ 50	\$	\$ (50)
Interest	275	275	194	(81)
Total Receipts	325	325	194	(131)
DISBURSEMENTS				
General Government	83,000	83,000	9,500	73,500
General Health and Sanitation	30,000	30,000	30,000	0
Administration	6,825	7,408		7,408
Total Disbursements	119,825	120,408	39,500	80,908
Net Change in Fund Balances	(119,500)	(120,083)	(39,306)	80,777
Fund Balances - Beginning	119,500	120,083	120,084	1
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 80,778</u>	<u>\$ 80,778</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

	DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 222,000	\$ 222,000	\$ 222,645	\$ 645
Intergovernmental	100,000	100,000	121,296	21,296
Miscellaneous	1,000	1,000	843	(157)
Interest	1,075	1,075	555	(520)
Total Receipts	<u>324,075</u>	<u>324,075</u>	<u>345,339</u>	<u>21,264</u>
DISBURSEMENTS				
Protection to Persons and Property	357,918	368,856	335,461	33,395
Administration	216,157	235,626	66,464	169,162
Total Disbursements	<u>574,075</u>	<u>604,482</u>	<u>401,925</u>	<u>202,557</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	(250,000)	(280,407)	(56,586)	223,821
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			27,283	27,283
Total Other Adjustments to Cash (Uses)			<u>27,283</u>	<u>27,283</u>
Net Change in Fund Balances	(250,000)	(280,407)	(29,303)	251,104
Fund Balances - Beginning	<u>250,000</u>	<u>280,407</u>	<u>280,407</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 251,104</u>	<u>\$ 251,104</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

CAPITAL IMPROVEMENTS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,050	\$ 1,050	\$ 642	\$ (408)
Total Receipts	1,050	1,050	642	(408)
DISBURSEMENTS				
General Government	1,000	1,000		1,000
Capital Projects	15,000	25,211	25,211	0
Administration	285,050	274,839		274,839
Total Disbursements	301,050	301,050	25,211	275,839
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(300,000)	(24,569)	275,431
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			48,490	48,490
Transfers To Other Funds			(17,048)	(17,048)
Total Other Adjustments to Cash (Uses)			31,442	31,442
Net Change in Fund Balances	(300,000)	(300,000)	6,873	306,873
Fund Balances - Beginning	300,000	300,000	293,174	(6,826)
Fund Balances - Ending	\$ 0	\$ 0	\$ 300,047	\$ 300,047

FLEMING COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION – BUDGETARY COMPARISON SCHEDULES

June 30, 2014

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, 2014

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

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,750,810	\$	\$	\$ 1,750,810
Construction In Progress	389,335	25,211	414,546	0
Land Improvements	45,575	11,640		57,215
Buildings	13,284,745	414,546		13,699,291
Vehicles	787,240	284,621	103,624	968,237
Equipment	1,364,479	22,333	22,295	1,364,517
Infrastructure	4,575,954	601,576		5,177,530
 Total Capital Assets	 <u>\$ 22,198,138</u>	 <u>\$ 1,359,927</u>	 <u>\$ 540,465</u>	 <u>\$ 23,017,600</u>

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

June 30, 2014

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

**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

Certified Public Accountants
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Brenda K. Morgan, CPA
Jody B. Franklin, CPA

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Fax: (606) 743-1895
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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, 2014 and the related notes to the financial statement and have issued our report thereon dated June 10, 2015.

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 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 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

June 10, 2015

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

FLEMING COUNTY FISCAL COURT

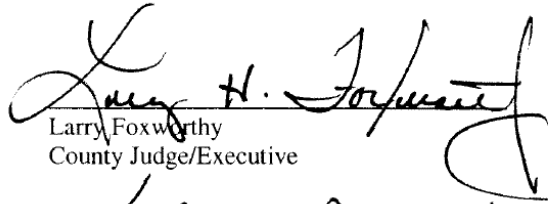
**For The Fiscal Year Ended
June 30, 2014**

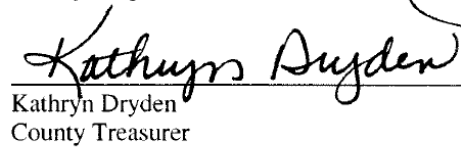
Appendix A

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

For The Fiscal Year Ended June 30, 2014

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