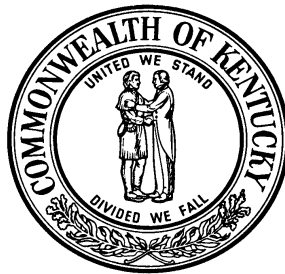


**REPORT OF THE AUDIT OF THE
FLEMING COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2017**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Fleming County Fiscal Court, for the year ended June 30, 2017, 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Larry H. Foxworthy, Fleming County Judge/Executive

Members of the Fleming County Fiscal Court

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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 the Fleming County Fiscal Court as of June 30, 2017, 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 the Fleming County Fiscal Court as of June 30, 2017, 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 the Fleming County Fiscal Court. The Budgetary Comparison Schedules and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; 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 accompanying Budgetary Comparison Schedules and Capital Asset Schedule 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 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 Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Larry H. 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 15, 2018, on our consideration of the 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 the Fleming County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

2017-001 The Fiscal Court Lacks Adequate Internal Controls Over Timekeeping

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

June 15, 2018

FLEMING COUNTY OFFICIALS**For The Year Ended June 30, 2017****Fiscal Court Members:**

Larry H. Foxworthy	County Judge/Executive
David DeAtley	Magistrate
Chris Hickerson	Magistrate
Rickey Lewis	Magistrate
Ray Money	Magistrate
Theresa Rinehart	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	Chief Financial Officer

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,881,586	\$	\$	\$
Excess Fees	137,838			
Licenses and Permits	28,036			
Intergovernmental	299,360	1,784,575	102,404	79,189
Charges for Services	125		17,706	
Miscellaneous	410,265	27,374		
Interest	615	669		183
Total Receipts	<u>2,757,825</u>	<u>1,812,618</u>	<u>120,110</u>	<u>79,372</u>
DISBURSEMENTS				
General Government	948,955			
Protection to Persons and Property	130,465		399,002	
General Health and Sanitation	34,284			
Social Services	6,350			
Recreation and Culture	40,561			
Transportation Facility and Services		4,839		
Roads		1,660,235		
Airports				
Debt Service	66,632			45,549
Administration	804,039	229,079	26,545	
Total Disbursements	<u>2,031,286</u>	<u>1,894,153</u>	<u>425,547</u>	<u>45,549</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>726,539</u>	<u>(81,535)</u>	<u>(305,437)</u>	<u>33,823</u>
Other Adjustments to Cash (Uses)				
Bond Proceeds				
Bond Premium				
Bond Underwriter's Discount				
Payment to Refund Bond Escrow Agent				
Transfers From Other Funds		320,000	306,000	
Transfers To Other Funds	(526,050)	(150,000)		
Total Other Adjustments to Cash (Uses)	<u>(526,050)</u>	<u>170,000</u>	<u>306,000</u>	
Net Change in Fund Balance	200,489	88,465	563	33,823
Fund Balance - Beginning (Restated)	560,418	4,466	2,119	68,805
Fund Balance - Ending	<u>\$ 760,907</u>	<u>\$ 92,931</u>	<u>\$ 2,682</u>	<u>\$ 102,628</u>
Composition of Fund Balance				
Bank Balance	\$ 120,647	\$ 124,027	\$ 4,862	\$ 2,628
Less: Outstanding Checks	(9,740)	(31,096)	(2,180)	
Certificates of Deposit	650,000			100,000
Fund Balance - Ending	<u>\$ 760,907</u>	<u>\$ 92,931</u>	<u>\$ 2,682</u>	<u>\$ 102,628</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, 2017
(Continued)

<u>Budgeted Funds</u>				<u>Unbudgeted Fund</u>	
<u>Forest Fire Fund</u>	<u>Revolving Loan Fund</u>	<u>Dispatch Fund</u>	<u>Capital Improvement Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Total Funds</u>
\$ 1,220	\$	\$ 202,130	\$	\$	\$ 2,084,936
					137,838
		145,561		840,942	3,252,031
		18			17,831
	81	97	972	257,644	437,657
<u>1,220</u>	<u>81</u>	<u>347,806</u>	<u>972</u>	<u>1,098,586</u>	<u>6,218,590</u>
	2,033				950,988
1,480		333,997			864,944
					34,284
					6,350
					40,561
					4,839
					1,660,235
	7,500				7,500
				1,047,059	1,159,240
		66,846		74,330	1,200,839
<u>1,480</u>	<u>9,533</u>	<u>400,843</u>		<u>1,121,389</u>	<u>5,929,780</u>
(260)	(9,452)	(53,037)	972	(22,803)	288,810
				6,980,000	6,980,000
				93,998	93,998
				(64,634)	(64,634)
				(6,933,956)	(6,933,956)
50		50,000	150,000		826,050
			(150,000)		(826,050)
<u>50</u>		<u>50,000</u>		<u>75,408</u>	<u>75,408</u>
(210)	(9,452)	(3,037)	972	52,605	364,218
271	45,124	117,572	303,931	61,760	1,164,466
<u>\$ 61</u>	<u>\$ 35,672</u>	<u>\$ 114,535</u>	<u>\$ 304,903</u>	<u>\$ 114,365</u>	<u>\$ 1,528,684</u>
\$ 61	\$ 2,172	\$ 123,733	\$ 4,903	\$ 114,365	\$ 497,398
	(500)	(9,198)			(52,714)
	34,000		300,000		1,084,000
<u>\$ 61</u>	<u>\$ 35,672</u>	<u>\$ 114,535</u>	<u>\$ 304,903</u>	<u>\$ 114,365</u>	<u>\$ 1,528,684</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, 2017

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 may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation 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 Governmental 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, 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 sources of receipts for this fund are state payments for truck license 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, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, 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 source of receipts for this fund is the 911 telephone surcharge.

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

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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 Governmental 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.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fleming County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Fleming County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the 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 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.

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, 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 fiscal court 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.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 2. Deposits (Continued)

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 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Road Fund	Capital Improvement Fund	Total Transfers In
Road Fund	\$ 170,000	\$	\$ 150,000	\$ 320,000
Jail Fund	306,000			306,000
Forest Fire Fund	50			50
Dispatch Fund	50,000			50,000
Capital Improvement Fund		150,000		150,000
Total Transfers Out	\$ 526,050	\$ 150,000	\$ 150,000	\$ 826,050

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, Series 2009 - Judicial Center

On May 1, 2010, the Fleming Public Properties Corporation issued first mortgage revenue bonds, series 2009, 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 percent 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. Funding of the debt service is provided by a lease agreement with the Kentucky Administrative Office of the Courts. On October 20, 2016, these bonds were partially defeased with First Mortgage Refunding Revenue Bonds, Series 2016. The outstanding principal balance as of June 30, 2017, is \$3,245,000. Future principal and interest payments are as follows:

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

A. First Mortgage Revenue Bonds, Series 2009 - Judicial Center (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 605,000	\$ 104,648
2019	625,000	84,958
2020	650,000	63,270
2021	670,000	39,500
2022	695,000	13,553
Totals	<u>\$ 3,245,000</u>	<u>\$ 305,929</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 percent interest rate to be paid in full February 2018. As of June 30, 2017, the principal balance on this lease agreement was \$43,352. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 43,352	\$ 714
Totals	<u>\$ 43,352</u>	<u>\$ 714</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 percent interest rate to be paid in full February 2018. The sheriff's office makes the debt service payments. As of June 30, 2017, the principal balance on this lease agreement was \$9,276. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 9,276	\$ 122
Totals	<u>\$ 9,276</u>	<u>\$ 122</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 4. Long-term Debt (Continued)

D. First Mortgage Refunding Revenue Bonds, Series 2016 - Judicial Center

On October 20, 2016, the Fleming County Public Properties Corporation issued first mortgage refunding revenue bonds, series 2016, in the amount of \$6,980,000. The proceeds of this issue were to pay off the first mortgage revenue bonds, series 2009, which was for the construction of the judicial center. The bonds have interest rates ranging from 2.04 percent with a retirement date of November 1, 2029. They require interest payments to be made May and November each year beginning on May 1, 2017. Annual principal payments begin November 1, 2019. The outstanding principal at June 30, 2017, was \$6,980,000. Future principal and interest payments are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$	\$ 144,756
2019		144,756
2020	65,000	144,106
2021	115,000	142,306
2022	115,000	140,006
2023-2027	4,360,000	477,744
2028-2030	2,325,000	63,803
Totals	<u>\$ 6,980,000</u>	<u>\$ 1,257,477</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 10,040,000	\$ 6,980,000	\$ 6,795,000	\$ 10,225,000	\$ 605,000
Financing Obligations	112,535		59,907	52,628	52,628
Total Long-term Debt	<u>\$ 10,152,535</u>	<u>\$ 6,980,000</u>	<u>\$ 6,854,907</u>	<u>\$ 10,277,628</u>	<u>\$ 657,628</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

The county's contribution for FY 2015 was \$313,924, FY 2016 was \$308,211, and FY 2017 was \$317,949.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Employee Retirement System (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent 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 KRS Board of Directors 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 four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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 (member's 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.

The county's contribution rate for nonhazardous employees was 18.68 percent.

Hazardous

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund.

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 accounts. Hazardous members contribute eight percent of their annual creditable compensation and also contribute one percent 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 hazardous member's account is credited with a seven and one-half percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 5. Employee Retirement System (Continued)

Hazardous (Continued)

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.

The county's contribution rate for hazardous employees was 31.06 percent.

Health Insurance Coverage

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. 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 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, the 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.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2017
(Continued)

Note 6. Deferred Compensation

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

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority 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, 2017, the Fleming County Fiscal Court 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 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

A magistrate's brother occasionally performs emergency non-routine maintenance at the courthouse. The total spent during fiscal year 2017 was \$3,100.

Note 9. Prior Period Adjustment

The beginning balance of the general fund was restated and decreased by \$4,240 due to a misstatement in the prior year audit regarding the payroll revolving account.

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FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,645,000	\$ 1,691,780	\$ 1,881,586	\$ 189,806
Excess Fees	93,700	122,815	137,838	15,023
Licenses and Permits	26,000	26,000	28,036	2,036
Intergovernmental	240,177	240,177	299,360	59,183
Charges for Services	50	50	125	75
Miscellaneous	310,900	384,465	410,265	25,800
Interest	550	550	615	65
Total Receipts	<u>2,316,377</u>	<u>2,465,837</u>	<u>2,757,825</u>	<u>291,988</u>
DISBURSEMENTS				
General Government	888,318	1,064,303	948,955	115,348
Protection to Persons and Property	106,397	148,531	130,465	18,066
General Health and Sanitation	38,000	39,972	34,284	5,688
Social Services	9,500	9,500	6,350	3,150
Recreation and Culture	42,313	46,873	40,561	6,312
Debt Service	16,221	65,286	66,632	(1,346)
Administration	941,808	974,016	804,039	169,977
Total Disbursements	<u>2,042,557</u>	<u>2,348,481</u>	<u>2,031,286</u>	<u>317,195</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>273,820</u>	<u>117,356</u>	<u>726,539</u>	<u>609,183</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(673,820)</u>	<u>(673,820)</u>	<u>(526,050)</u>	<u>147,770</u>
Total Other Adjustments to Cash (Uses)	<u>(673,820)</u>	<u>(673,820)</u>	<u>(526,050)</u>	<u>147,770</u>
Net Change in Fund Balance	(400,000)	(556,464)	200,489	756,953
Fund Balance - Beginning (Restated)	<u>400,000</u>	<u>556,464</u>	<u>560,418</u>	<u>3,954</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 760,907</u>	<u>\$ 760,907</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,451,719	\$ 2,005,807	\$ 1,784,575	\$ (221,232)
Miscellaneous	12,500	18,590	27,374	8,784
Interest	550	550	669	119
Total Receipts	<u>1,464,769</u>	<u>2,024,947</u>	<u>1,812,618</u>	<u>(212,329)</u>
DISBURSEMENTS				
Transportation Facilities and Services	5,000	5,000	4,839	161
Roads	1,524,123	1,790,842	1,660,235	130,607
Administration	260,646	404,105	229,079	175,026
Total Disbursements	<u>1,789,769</u>	<u>2,199,947</u>	<u>1,894,153</u>	<u>305,794</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(325,000)</u>	<u>(175,000)</u>	<u>(81,535)</u>	<u>93,465</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	250,000	250,000	320,000	70,000
Transfers To Other Funds		(150,000)	(150,000)	
Total Other Adjustments to Cash (Uses)	<u>250,000</u>	<u>100,000</u>	<u>170,000</u>	<u>70,000</u>
Net Change in Fund Balance	(75,000)	(75,000)	88,465	163,465
Fund Balance - Beginning	<u>75,000</u>	<u>75,000</u>	<u>4,466</u>	<u>(70,534)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 92,931</u>	<u>\$ 92,931</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 93,000	\$ 101,828	\$ 102,404	\$ 576
Charges for Services	20,000	20,000	17,706	(2,294)
Miscellaneous	100	100		(100)
Interest	75	75		(75)
Total Receipts	<u>113,175</u>	<u>122,003</u>	<u>120,110</u>	<u>(1,893)</u>
DISBURSEMENTS				
Protection to Persons and Property	539,103	558,959	399,002	159,957
Administration	48,392	38,983	26,545	12,438
Total Disbursements	<u>587,495</u>	<u>597,942</u>	<u>425,547</u>	<u>172,395</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(474,320)</u>	<u>(475,939)</u>	<u>(305,437)</u>	<u>170,502</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	473,820	473,820	306,000	(167,820)
Total Other Adjustments to Cash (Uses)	<u>473,820</u>	<u>473,820</u>	<u>306,000</u>	<u>(167,820)</u>
Net Change in Fund Balance	(500)	(2,119)	563	2,682
Fund Balance - Beginning	<u>500</u>	<u>2,119</u>	<u>2,119</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,682</u>	<u>\$ 2,682</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 55,000	\$ 55,000	\$ 79,189	\$ 24,189
Miscellaneous	50	50		(50)
Interest	80	80	183	103
Total Receipts	<u>55,130</u>	<u>55,130</u>	<u>79,372</u>	<u>24,242</u>
DISBURSEMENTS				
Roads	25,000	25,000		25,000
Debt Service	45,626	45,626	45,549	77
Administration	44,504	53,309		53,309
Total Disbursements	<u>115,130</u>	<u>123,935</u>	<u>45,549</u>	<u>78,386</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(60,000)</u>	<u>(68,805)</u>	<u>33,823</u>	<u>102,628</u>
Net Change in Fund Balance	(60,000)	(68,805)	33,823	102,628
Fund Balance - Beginning	<u>60,000</u>	<u>68,805</u>	<u>68,805</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,628</u>	<u>\$ 102,628</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

FOREST FIRE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,230	\$ 1,230	\$ 1,220	\$ (10)
Charges for Services	100	100		(100)
Total Receipts	<u>1,330</u>	<u>1,330</u>	<u>1,220</u>	<u>(110)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,480	1,480	1,480	
Administration	300	300		300
Total Disbursements	<u>1,780</u>	<u>1,780</u>	<u>1,480</u>	<u>300</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(450)</u>	<u>(450)</u>	<u>(260)</u>	<u>190</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			50	50
Total Other Adjustments to Cash (Uses)			<u>50</u>	<u>50</u>
Net Change in Fund Balance	(450)	(450)	(210)	240
Fund Balance - Beginning	<u>450</u>	<u>450</u>	<u>271</u>	<u>(179)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 61</u>	<u>\$ 61</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 50	\$ 50	\$	\$ (50)
Interest	115	115	81	(34)
Total Receipts	<u>165</u>	<u>165</u>	<u>81</u>	<u>(84)</u>
DISBURSEMENTS				
General Government		2,033	2,033	
Airports	7,500	7,500	7,500	
Administration	41,665	39,632		39,632
Total Disbursements	<u>49,165</u>	<u>49,165</u>	<u>9,533</u>	<u>39,632</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(49,000)</u>	<u>(49,000)</u>	<u>(9,452)</u>	<u>39,548</u>
Net Change in Fund Balance	(49,000)	(49,000)	(9,452)	39,548
Fund Balance - Beginning	49,000	49,000	45,124	(3,876)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,672</u>	<u>\$ 35,672</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 204,000	\$ 204,000	\$ 202,130	\$ (1,870)
Intergovernmental	138,294	138,294	145,561	7,267
Miscellaneous	1,000	1,000	18	(982)
Interest	350	350	97	(253)
Total Receipts	<u>343,644</u>	<u>343,644</u>	<u>347,806</u>	<u>4,162</u>
DISBURSEMENTS				
Protection to Persons and Property	390,887	410,728	333,997	76,731
Administration	102,757	100,488	66,846	33,642
Total Disbursements	<u>493,644</u>	<u>511,216</u>	<u>400,843</u>	<u>110,373</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,000)</u>	<u>(167,572)</u>	<u>(53,037)</u>	<u>114,535</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Total Other Adjustments to Cash (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	
Net Change in Fund Balance	(100,000)	(117,572)	(3,037)	114,535
Fund Balance - Beginning	<u>100,000</u>	<u>117,572</u>	<u>117,572</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 114,535</u>	<u>\$ 114,535</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2017
(Continued)

	CAPITAL IMPROVEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 420	\$ 420	\$ 972	\$ 552
Total Receipts	420	420	972	552
DISBURSEMENTS				
General Government	1,000	1,000		1,000
Capital Projects	10,000	160,000		160,000
Administration	192,420	193,351		193,351
Total Disbursements	203,420	354,351		354,351
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(203,000)	(353,931)	972	354,903
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			150,000	150,000
Transfers To Other Funds	(100,000)	(100,000)	(150,000)	(50,000)
Total Other Adjustments to Cash (Uses)	(100,000)	(100,000)		100,000
Net Change in Fund Balance	(303,000)	(453,931)	972	454,903
Fund Balance - Beginning	303,000	303,931	303,931	
Fund Balance - Ending	\$ 0	\$ 0	\$ 304,903	\$ 454,903

FLEMING COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2017

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 Governmental 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.

Note 2. Excess of Disbursements Over Appropriations

Debt service from the general fund exceeded budgeted appropriations by \$1,346 due to Fleming County not budgeting the payments made by the sheriff's office for the financing obligation in the county's name.

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FLEMING COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

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FLEMING COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2017

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,124,199	\$	\$ 2,500	\$ 2,121,699
Buildings	13,699,291		20,000	13,679,291
Vehicles	1,025,682	89,654	27,935	1,087,401
Equipment	1,469,474	18,911	17,429	1,470,956
Infrastructure	6,733,888	480,204		7,214,092
 Total Capital Assets	 \$ 25,052,534	 \$ 588,769	 \$ 67,864	 \$ 25,573,439

FLEMING COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2017

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Fleming County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Fleming County Fiscal Court's financial statement and have issued our report thereon dated June 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Fleming County Fiscal Court's internal control over financial reporting (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 the Fleming County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fleming County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Response, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2017-001 to be a material weakness.



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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2017-001.

Views of Responsible Officials and Planned Corrective Action

Fleming County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 15, 2018

**FLEMING COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

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**FLEMING COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2017

FINANCIAL STATEMENT FINDING:

2017-001 The Fiscal Court Lacks Adequate Internal Controls Over Timekeeping

This is a repeat finding and was included in the prior year report as finding 2016-001.

In comparing timesheets to earnings records during our test of payroll, auditors founds that three dispatch employees had recorded overtime on their timecards, but no overtime was paid on their paystubs. The timecards are signed by a supervisor. Per the treasurer, no one is approved for overtime. The approval indicated is just for the time, not overtime. Per discussion with the dispatch supervisor, she stated that oftentimes employees will forget to clock out as soon as their shift is over, resulting in overtime accumulating on their timecards. The fiscal court lacks internal controls over timekeeping to ensure time worked is accurately reflected on employee timecards. As a result, the fiscal court is susceptible to disputes between their employees regarding payroll and/or compensated leave. Pursuant to 803 KAR 1:065 Section (2), “(1) General. Work not requested but suffered or permitted to work time. For example, an employee may voluntarily continue to work at the end of the shift, he may be a pieceworker, he may desire to finish an assigned task or he may wish to correct errors, paste work tickets, and prepare time reports or other records. The reason is immaterial. The employer knows or has reason to believe that he is continuing to work and the time is working time. (3) Duty of management. In all such cases it is the duty of the management to exercise its control and see that the work is not performed if it does not want it to be performed. It cannot sit back and accept the benefits without compensating for them. The mere promulgation of a rule against such work is not enough. Management has the power to enforce the rule and must make every effort to do so.” Good internal controls require sufficient review and approval of timesheets to ensure only the actual hours worked have been recorded. We recommend the fiscal court ensure that hours on employees’ timecards agree to hours paid on the earnings record/pay stubs. We further remind the fiscal court that overtime wages in the amount of one-and-one-half times the hourly rate are required to be paid to any employee who works over 40 hours in a week.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: The department supervisor has directed employees regarding accurate use of time clock. Payroll will reflect overtime if it is incurred.

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

FLEMING COUNTY FISCAL COURT

For The Year Ended June 30, 2017

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

For The Fiscal Year Ended June 30, 2017

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



Larry H. Johnson

County Judge/Executive



Kathryn Anderson

County Treasurer