

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

**For The Fiscal Year Ended
June 30, 2018**

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

Independent 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, as of and for the year ended June 30, 2018, 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.

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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, 2018, 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, 2018, 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

Other 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 the Schedule of Capital Assets are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and the Schedule of Capital Assets are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial 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 the Schedule of Capital Assets are fairly stated in all material respects in relation to the basic financial statement as a whole.

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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 July 16, 2019 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 solely 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 effectiveness of the Fleming County Fiscal Court's 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.

Morgan and Associates, LLC

Morgan and Associates, LLC
West Liberty, Kentucky

July 16, 2019

FLEMING COUNTY OFFICIALS

For The Year Ended June 30, 2018

Fiscal Court Members:

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

Other Elected Officials:

John Price	County Attorney
Tim Cooper	Jailer
Jarrod Fritz	County Clerk
Amy Saunders	Circuit Court Clerk
Gary Kinder	Sheriff
Michele Butler	Property Valuation Administrator
Winston Grannis	Coroner

Appointed Personnel:

Kathryn Dryden	County Treasurer
Tammy Gray	Finance Officer

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

For The Year Ended June 30, 2018

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

For The Year Ended June 30, 2018

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 1,941,831	\$	\$
Excess Fees	146,305		
Licenses and Permits	28,057		
Intergovernmental	309,097	1,637,119	101,411
Charges for Services	100		17,731
Miscellaneous	307,933	11,179	
Interest	1,946	1,240	
Total Receipts	<u>2,735,269</u>	<u>1,649,538</u>	<u>119,142</u>
DISBURSEMENTS			
Current:			
General Government	843,136		
Protection to Persons and Property	104,384	5,830	547,899
General Health and Sanitation	29,306		
Social Services	6,105		
Recreation and Culture	76,174		
Transportation Services and Facilities		1,457	
Roads		1,748,554	
Airports			
Debt Service	19,148		
Capital Projects			
Administration	832,570	234,118	26,905
Total Disbursements	<u>1,910,823</u>	<u>1,989,959</u>	<u>574,804</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	824,446	(340,421)	(455,662)
Other Adjustments to Cash (Uses)			
Lease Proceeds	44,700		
Transfers From Other Funds		350,000	458,000
Transfers To Other Funds	(808,000)		
Total Other Adjustments to Cash (Uses)	<u>(763,300)</u>	<u>350,000</u>	<u>458,000</u>
Net Change in Fund Balances	61,146	9,579	2,338
Fund Balances - Beginning	760,907	92,931	2,682
Fund Balances - Ending	<u>\$ 822,053</u>	<u>\$ 102,510</u>	<u>\$ 5,020</u>
Composition of Fund Balance			
Bank Balance	\$ 329,948	\$ 134,430	\$ 6,036
Plus: Deposits In Transit			
Less: Outstanding Checks	(7,895)	(31,920)	(1,016)
Certificate of Deposits	500,000		
Fund Balance - Ending	<u>\$ 822,053</u>	<u>\$ 102,510</u>	<u>\$ 5,020</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, 2018
(Continued)

	<u>Budgeted Funds</u>		
	<u>Local Government Economic Assistance Fund</u>	<u>Forest Fire Fund</u>	<u>Revolving Loan Fund</u>
RECEIPTS			
Taxes	\$	\$ 1,241	\$
Excess Fees			
Licenses and Permits			
Intergovernmental	65,955		
Charges for Services		344	
Miscellaneous			
Interest	284		68
Total Receipts	<u>66,239</u>	<u>1,585</u>	<u>68</u>
DISBURSEMENTS			
Current:			
General Government		1,480	2,400
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Transportation Services and Facilities			
Roads			
Airports			7,500
Debt Service	44,066		
Capital Projects			
Administration			
Total Disbursements	<u>44,066</u>	<u>1,480</u>	<u>9,900</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	22,173	105	(9,832)
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	(27,827)	105	(9,832)
Fund Balances - Beginning	102,628	61	35,672
Fund Balances - Ending	<u>\$ 74,801</u>	<u>\$ 166</u>	<u>\$ 25,840</u>
Composition of Fund Balance			
Bank Balance	\$ 4,801	\$ 166	\$ 3,840
Plus: Deposits In Transit			
Less: Outstanding Checks			
Certificate of Deposits	<u>70,000</u>		<u>22,000</u>
Fund Balance - Ending	<u>\$ 74,801</u>	<u>\$ 166</u>	<u>\$ 25,840</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, 2018
(Continued)

	<u>Budgeted Funds</u>		<u>Unbudgeted Funds</u>	<u>Total Funds</u>
	<u>Dispatch Fund</u>	<u>Capital Improvement Fund</u>	<u>Public Properties Corporation Fund</u>	
RECEIPTS				
Taxes	\$ 193,612	\$	\$	\$ 2,136,684
Excess Fees				146,305
Licenses and Permits				28,057
Intergovernmental	252,468		857,892	3,223,942
Charges for Services				18,175
Miscellaneous	99			319,211
Interest	153	745		4,436
Total Receipts	<u>446,332</u>	<u>745</u>	<u>857,892</u>	<u>5,876,810</u>
DISBURSEMENTS				
Current:				
General Government				847,016
Protection to Persons and Property	403,128			1,061,241
General Health and Sanitation				29,306
Social Services				6,105
Recreation and Culture				76,174
Transportation Services and Facilities				1,457
Roads				1,748,554
Airports				7,500
Debt Service			854,404	917,618
Capital Projects		6,091		6,091
Administration	66,630		2,200	1,162,423
Total Disbursements	<u>469,758</u>	<u>6,091</u>	<u>856,604</u>	<u>5,863,485</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(23,426)	(5,346)	1,288	13,325
Other Adjustments to Cash (Uses)				
Lease Proceeds				44,700
Transfers From Other Funds	50,000			858,000
Transfers To Other Funds				(858,000)
Total Other Adjustments to Cash (Uses)	<u>50,000</u>			<u>44,700</u>
Net Change in Fund Balances	26,574	(5,346)	1,288	58,025
Fund Balances - Beginning	114,535	304,903	114,366	1,528,685
Fund Balances - Ending	<u>\$ 141,109</u>	<u>\$ 299,557</u>	<u>\$ 115,654</u>	<u>\$ 1,586,710</u>
Composition of Fund Balance				
Bank Balance	\$ 139,428	\$ 4,557	\$ 115,654	\$ 738,859
Plus: Deposits In Transit	1,893			1,893
Less: Outstanding Checks	(212)			(41,042)
Certificate of Deposits		295,000		887,000
Fund Balance - Ending	<u>\$ 141,109</u>	<u>\$ 299,557</u>	<u>\$ 115,654</u>	<u>\$ 1,586,710</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, 2018

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 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 statement, 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) October 1, due at discount October 31, 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.

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

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

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, 2018
(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 statement are issued separately and individually and can be obtained from their respective administrative offices. These financial statement are not required to be included in the financial statement of Fleming County Fiscal Court.

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

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GASB Statement No. 72, Fair Value Measurement and Application, became effective in fiscal year 2016 which requires the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques.

The carrying amount of the following financial instruments approximate fair value because of the short maturity of the instruments: cash equivalents.

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, 2018
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2018, 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, 2018, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

	General Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 300,000	\$ 50,000	\$ 350,000
Jail Fund	458,000		458,000
Dispatch Fund	50,000		50,000
Total Transfers Out	\$ 808,000	\$ 50,000	\$ 858,000

Reason for transfers:

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

Note 4. Long-term Debt

A. First Mortgage Revenue Bonds

On May 1, 2010, Fleming Public Properties Corporation issued first mortgage revenue bond anticipation notes in the amount of \$13,510,000. The proceeds of this issue were used to provide funding for financing of the Justice Center project. The notes were issued with a variable interest rate of 1 to 4.25 percent, with a retirement date of November 1, 2029. Semi-annual interest payments are due on November 1 and May 1 of each year and principal payments are due annually on November 1 of each year. 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 (See Note 4E). The outstanding principal balance as of June 30, 2018, is \$2,640,000. Future principal and interest payments are as follows:

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

A. First Mortgage Revenue Bonds (Continued)

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2019	\$ 625,000	\$ 84,958
2020	650,000	63,270
2021	670,000	39,500
2022	695,000	13,552
Totals	<u>\$ 2,640,000</u>	<u>\$ 201,280</u>

B. Capital Lease – Dump Truck

On February 5, 2014, 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, 2018, the principal balance was paid in full.

C. Capital Lease – Sheriff's Vehicles

On February 21, 2014, 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, 2018, the principal balance was paid in full.

D. Capital Lease – Sheriff's Vehicles

On July 18, 2017, Fleming County Fiscal Court entered into a lease agreement with US Bank for the purchase of a vehicle for the Sheriff's office. The agreement requires monthly interest and principal payments beginning August 18, 2017 with a 2.89% interest rate to be paid in full July 2021. The Sheriff's Office makes the debt service payments. The principal balance of the agreement was \$35,808 as of June 30, 2018. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest
2019	\$ 10,956	\$ 890
2020	11,277	569
2021	11,607	239
2022	1,968	7
Totals	<u>\$ 35,808</u>	<u>\$ 1,705</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

E. First Mortgage Refunding Revenue Bonds, Series 2016 – Judicial Center

On October 20, 2016, 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 (See Note 4A), 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, 2018, was \$6,980,000. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2019	\$	\$ 144,756
2020	65,000	144,106
2021	115,000	142,306
2022	115,000	140,006
2023	835,000	130,506
2024-2028	4,455,000	386,763
2029-2030	1,395,000	24,278
Totals	<u>\$ 6,980,000</u>	<u>\$ 1,112,721</u>

F. Long-term Debt Maturity in the Aggregate

Fiscal Year Ended June 30	Principal	Scheduled Interest and Fees
2019	\$ 635,956	\$ 230,604
2020	726,277	207,945
2021	796,607	182,045
2022	811,968	153,565
2023	835,000	130,506
2024-2028	4,455,000	386,763
2029-2030	1,395,000	24,278
Totals	<u>\$ 9,655,808</u>	<u>\$ 1,315,706</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 4. Long-term Debt (Continued)

G. Changes In Long-term Debt

Long-term debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 10,225,000	\$	\$ 605,000	\$ 9,620,000	\$ 625,000
Financing Obligations	52,628	44,700	61,520	35,808	10,956
Total Long-term Debt	<u>\$ 10,277,628</u>	<u>\$ 44,700</u>	<u>\$ 666,520</u>	<u>\$ 9,655,808</u>	<u>\$ 635,956</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 that 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 the FY 2016 was \$308,211, the FY 2017 was \$317,950, and the FY 2018 was \$336,992.

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 account. 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 19.18 percent.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

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 lan 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 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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 31.55 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage – Tier 1

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%

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage – Tier 1

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.

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

B. Health Insurance Coverage – Tier 2 and Tier 3 – Nonhazardous

Once members reach a minimum vesting period of 15 years, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. The dollar amount is subject to adjustment annually by 1.5%. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Health Insurance Coverage – Tier 2 and Tier 3 – Hazardous

Once members reach a minimum vesting period of 15 years, earn fifteen 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 by 1.5%. 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 was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

D. Cost of Living Adjustments – Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

E. Cost of Living Adjustments – Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 5. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for the benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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 and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedule of Employer Allocations and OPEB Amounts by Employer reports 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.

Note 6. Deferred Compensation

On February 24, 2000, 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, 2018, 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. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2018
(Continued)

Note 8. Subsequent Review

Subsequent events have been evaluated through July 16, 2019, which is the date the financial statement were available to be issued.

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,721,000	\$ 1,755,281	\$ 1,941,831	\$ 186,550
Excess Fees	115,000	141,661	146,305	4,644
Licenses and Permits	28,032	28,032	28,057	25
Intergovernmental	238,749	309,048	309,097	49
Charges for Services	100	100	100	0
Miscellaneous	331,400	331,400	307,933	(23,467)
Interest	600	600	1,946	1,346
Total Receipts	<u>2,434,881</u>	<u>2,566,122</u>	<u>2,735,269</u>	<u>169,147</u>
DISBURSEMENTS				
General Government	908,650	936,680	843,136	93,544
Protection to Persons and Property	108,101	108,579	104,384	4,195
General Health and Sanitation	33,500	33,500	29,306	4,194
Social Services	9,500	9,500	6,105	3,395
Recreation and Culture	41,813	82,487	76,174	6,313
Debt Service	10,745	10,745	19,148	(8,403)
Administration	1,141,359	1,314,325	832,570	481,755
Total Disbursements	<u>2,253,668</u>	<u>2,495,816</u>	<u>1,910,823</u>	<u>584,993</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	181,213	70,306	824,446	754,140
Other Adjustments to Cash (Uses)				
Lease Proceeds			44,700	44,700
Transfers To Other Funds	(831,213)	(831,213)	(808,000)	23,213
Total Other Adjustments to Cash (Uses)	<u>(831,213)</u>	<u>(831,213)</u>	<u>(763,300)</u>	<u>67,913</u>
Net Change in Fund Balances	(650,000)	(760,907)	61,146	822,053
Cash Balances and Cash Equivalents - Fund Balances - Beginning	<u>650,000</u>	<u>760,907</u>	<u>760,907</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 822,053</u>	<u>\$ 822,053</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,736,115	\$ 1,814,981	\$ 1,637,119	\$ (177,862)
Miscellaneous	15,000	19,232	11,179	(8,053)
Interest	550	550	1,240	690
Total Receipts	<u>1,751,665</u>	<u>1,834,763</u>	<u>1,649,538</u>	<u>(185,225)</u>
DISBURSEMENTS				
Protection to Persons and Property		5,830	5,830	0
Transportation Facilities and Services	6,000	6,000	1,457	4,543
Roads	1,728,613	1,935,299	1,748,554	186,745
Administration	317,052	280,565	234,118	46,447
Total Disbursements	<u>2,051,665</u>	<u>2,227,694</u>	<u>1,989,959</u>	<u>237,735</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(392,931)	(340,421)	52,510
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	300,000	300,000	350,000	50,000
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>350,000</u>	<u>50,000</u>
Net Change in Fund Balances		(92,931)	9,579	102,510
Fund Balances - Beginning		<u>92,931</u>	<u>92,931</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,510</u>	<u>\$ 102,510</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 94,000	\$ 106,987	\$ 101,411	\$ (5,576)
Charges for Services	20,000	20,000	17,731	(2,269)
Miscellaneous	100	100		(100)
Interest	25	25		(25)
Total Receipts	<u>114,125</u>	<u>127,112</u>	<u>119,142</u>	<u>(7,970)</u>
DISBURSEMENTS				
Protection to Persons and Property	546,063	578,002	547,899	30,103
Administration	49,775	33,005	26,905	6,100
Total Disbursements	<u>595,838</u>	<u>611,007</u>	<u>574,804</u>	<u>36,203</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	(481,713)	(483,895)	(455,662)	28,233
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	481,213	481,213	458,000	(23,213)
Total Other Adjustments to Cash (Uses)	<u>481,213</u>	<u>481,213</u>	<u>458,000</u>	<u>(23,213)</u>
Net Change in Fund Balances	(500)	(2,682)	2,338	5,020
Fund Balances - Beginning	<u>500</u>	<u>2,682</u>	<u>2,682</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,020</u>	<u>\$ 5,020</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 65,955	\$ 5,955
Miscellaneous	50	50		(50)
Interest	80	80	284	204
Total Receipts	60,130	60,130	66,239	6,109
DISBURSEMENTS				
Roads	25,000	25,000		25,000
Debt Service	44,067	44,067	44,066	1
Administration	88,063	93,691		93,691
Total Disbursements	157,130	162,758	44,066	118,692
Excess (Deficiency) of Receipts Over Disbursements Before Other				
Adjustments to Cash (Uses)	(97,000)	(102,628)	22,173	124,801
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(50,000)	(50,000)
Total Other Adjustments to Cash (Uses)			(50,000)	(50,000)
Net Change in Fund Balances	(97,000)	(102,628)	(27,827)	74,801
Fund Balances - Beginning	97,000	102,628	102,628	0
Fund Balances - Ending	\$ 0	\$ 0	\$ 74,801	\$ 74,801

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

FOREST FIRE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,486	\$ 1,486	\$ 1,241	\$ (245)
Charges for Services	100	100	344	244
Total Receipts	1,586	1,586	1,585	(1)
DISBURSEMENTS				
General Government	1,480	1,541	1,480	61
Administration	106	106		106
Total Disbursements	1,586	1,647	1,480	167
Net Change in Fund Balances		(61)	105	166
Fund Balances - Beginning		61	61	0
Fund Balances - Ending	\$ 0	\$ 0	\$ 166	\$ 166

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(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	68	(47)
Total Receipts	165	165	68	(97)
DISBURSEMENTS				
General Government	2,400	2,400	2,400	0
Airports	7,500	7,500	7,500	0
Administration	26,265	26,265		26,265
Total Disbursements	36,165	36,165	9,900	26,265
Net Change in Fund Balances	(36,000)	(36,000)	(9,832)	26,168
Fund Balances - Beginning	36,000	36,000	35,672	(328)
Fund Balances - Ending	\$ 0	\$ 0	\$ 25,840	\$ 25,840

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

	DISPATCH FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 185,000	\$ 185,000	\$ 193,612	\$ 8,612
Intergovernmental	186,000	186,000	252,468	66,468
Miscellaneous	1,000	1,000	99	(901)
Interest	200	200	153	(47)
Total Receipts	<u>372,200</u>	<u>372,200</u>	<u>446,332</u>	<u>74,132</u>
DISBURSEMENTS				
Protection to Persons and Property	377,093	434,451	403,128	31,323
Administration	140,107	102,284	66,630	35,654
Total Disbursements	<u>517,200</u>	<u>536,735</u>	<u>469,758</u>	<u>66,977</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	(145,000)	(164,535)	(23,426)	141,109
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Other Adjustments to Cash (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Net Change in Fund Balances	(95,000)	(114,535)	26,574	141,109
Fund Balances - Beginning	<u>95,000</u>	<u>114,535</u>	<u>114,535</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 141,109</u>	<u>\$ 141,109</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018
(Continued)

CAPITAL IMPROVEMENTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 400	\$ 400	\$ 745	\$ 345
Total Receipts	400	400	745	345
DISBURSEMENTS				
General Government	1,000	1,000		1,000
Capital Projects	10,000	16,091	6,091	10,000
Administration	293,400	288,212		288,212
Total Disbursements	304,400	305,303	6,091	299,212
Net Change in Fund Balances	(304,000)	(304,903)	(5,346)	299,557
Fund Balances - Beginning	304,000	304,903	304,903	0
Fund Balances - Ending	\$ 0	\$ 0	\$ 299,557	\$ 299,557

FLEMING COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION – BUDGETARY COMPARISON SCHEDULES

June 30, 2018

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.

Note 2. Excess of Disbursement Over Appropriations

The General Fund Debt Service account exceeded appropriations by \$8,403.

FLEMING COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2018

FLEMING COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2018

The fiscal court reports the following schedule of capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 2,121,699	\$ 41,174	\$	\$ 2,162,873
Buildings	13,679,291			13,679,291
Vehicles	1,087,401	53,200		1,140,601
Equipment	1,470,956	119,684		1,590,640
Infrastructure	<u>7,214,092</u>	<u>718,290</u>		<u>7,932,382</u>
 Total Capital Assets	 <u>\$ 25,573,439</u>	 <u>\$ 932,348</u>	 <u>\$ 0</u>	 <u>\$ 26,505,787</u>

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

June 30, 2018

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

Independent Auditor's 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 as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statement, which collectively comprise Fleming County Fiscal Court's basic financial statement and have issued our report thereon dated July 16, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Independent Auditor's 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 from 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 and Associates, LLC

Morgan and Associates, LLC
West Liberty, Kentucky

July 16, 2019

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

FLEMING COUNTY FISCAL COURT

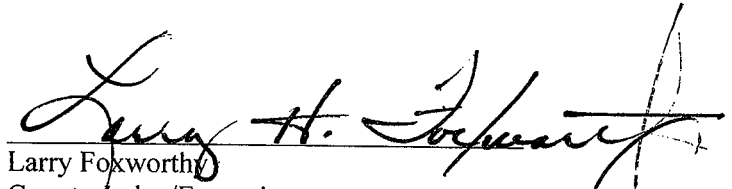
**For The Fiscal Year Ended
June 30, 2018**

Appendix A

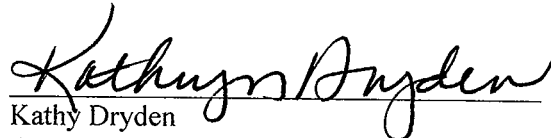
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FLEMING COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2018

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. Foxworthy
County Judge/Executive



Kathy Dryden
County Treasurer