

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

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



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



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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 Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison 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 Harrison County Fiscal Court, for the year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Harrison 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  
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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 Harrison 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 Harrison 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 Harrison 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**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Harrison County Fiscal Court. The Budgetary Comparison Schedules, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, Capital Asset Schedule, and Schedule of Expenditures of Federal Awards 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, Capital Asset Schedule, and the Schedule of Expenditures of Federal Awards 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 Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019, on our consideration of the Harrison 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 Harrison 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 Questioned Costs included herein, which discusses the following report finding:

2018-001 The Harrison County Fiscal Court Did Not Advertise For Bids For Ambulance Services

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

February 4, 2019

**HARRISON COUNTY OFFICIALS****For The Year Ended June 30, 2018****Fiscal Court Members:**

Alex Barnett	County Judge/Executive
Stanley F. Lemons	Magistrate
Paula Haviland	Magistrate
Brad Marshall	Magistrate
Scott Herrington	Magistrate
Same Pierce	Magistrate
William Fritz	Magistrate
Larry Wells	Magistrate
Bradley Copes	Magistrate

**Other Elected Officials:**

Bradley Vaughn	County Attorney
Steve Slade	Jailer
Linda Furnish	County Clerk
Teresa Furnish	Circuit Court Clerk
Shain Stephens	Sheriff
Carla Harney	Property Valuation Administrator
Tom Ware	Coroner

**Appointed Personnel:**

Melody McClure	County Treasurer
Judy Smith	Finance Officer
Jennifer Renaker	Tax Administrator



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,603,823	\$	\$
In Lieu Tax Payments	4,814		
Excess Fees	21,945		
Licenses and Permits	10,194		
Intergovernmental	306,125	1,321,440	110,796
Charges for Services			
Miscellaneous	228,459	106,843	238
Interest	7,860	247	
Total Receipts	<u>5,183,220</u>	<u>1,428,530</u>	<u>111,034</u>
<b>DISBURSEMENTS</b>			
General Government	1,559,768		
Protection to Persons and Property	289,197		698,498
General Health and Sanitation	393,370		
Social Services	97,011		
Recreation and Culture	24,546		
Roads		1,648,482	
Airports	10,000		
Bus Services	6,166		
Other Transportation Facilities and Services	3,000		
Debt Service	124,516	303,358	
Capital Projects		252,378	
Administration	960,084	291,200	32,604
Total Disbursements	<u>3,467,658</u>	<u>2,495,418</u>	<u>731,102</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,715,562</u>	<u>(1,066,888)</u>	<u>(620,068)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	139,901	1,076,000	617,500
Transfers To Other Funds	<u>(2,123,851)</u>		
Total Other Adjustments to Cash (Uses)	<u>(1,983,950)</u>	<u>1,076,000</u>	<u>617,500</u>
Net Change in Fund Balance	(268,388)	9,112	(2,568)
Fund Balance - Beginning	<u>1,343,842</u>	<u>9,555</u>	<u>17,858</u>
Fund Balance - Ending	<u>\$ 1,075,454</u>	<u>\$ 18,667</u>	<u>\$ 15,290</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 622,822	\$ 116,178	\$ 19,258
Less: Outstanding Checks	(47,368)	(97,511)	(3,968)
Certificates of Deposit	<u>500,000</u>		
Fund Balance - Ending	<u>\$ 1,075,454</u>	<u>\$ 18,667</u>	<u>\$ 15,290</u>

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

**HARRISON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2018**  
**(Continued)**

<b>Budgeted Funds</b>				<b>Unbudgeted Fund</b>	
<b>Federal Grants Fund</b>	<b>Parks and Recreation Fund</b>	<b>E911 Fund</b>	<b>Shropshire Fund</b>	<b>Public Properties Corporation Fund</b>	<b>Total Funds</b>
\$	\$	\$ 148,131	\$	\$	\$ 4,751,954
					4,814
					21,945
			2,095		12,289
993,757		193,244		476,150	3,401,512
	54,779		19,974		74,753
	183,359	160,500	13,703		693,102
	101	658	1,950	93	10,909
<u>993,757</u>	<u>238,239</u>	<u>502,533</u>	<u>37,722</u>	<u>476,243</u>	<u>8,971,278</u>
					1,559,768
		498,158			1,485,853
993,777			50,860		1,438,007
					97,011
	281,819				306,365
					1,648,482
					10,000
					6,166
					3,000
				474,650	902,524
					252,378
	46,389			1,500	1,331,777
<u>993,777</u>	<u>328,208</u>	<u>498,158</u>	<u>50,860</u>	<u>476,150</u>	<u>9,041,331</u>
(20)	(89,969)	4,375	(13,138)	93	(70,053)
139,901	114,950	160,500	15,000		2,263,752
(139,901)					(2,263,752)
	114,950	160,500	15,000		
(20)	24,981	164,875	1,862	93	(70,053)
22,811	29,741	315,756	356,794	10,914	2,107,271
<u>\$ 22,791</u>	<u>\$ 54,722</u>	<u>\$ 480,631</u>	<u>\$ 358,656</u>	<u>\$ 11,007</u>	<u>\$ 2,037,218</u>
\$ 22,791	\$ 69,173	\$ 482,455	\$ 129,546	\$ 11,007	\$ 1,473,230
	(14,451)	(1,824)	(890)		(166,012)
			230,000		730,000
<u>\$ 22,791</u>	<u>\$ 54,722</u>	<u>\$ 480,631</u>	<u>\$ 358,656</u>	<u>\$ 11,007</u>	<u>\$ 2,037,218</u>

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

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**HARRISON COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2018**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Harrison County includes all budgeted and unbudgeted funds under the control of the Harrison 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.

**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.

**HARRISON 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)**

Federal Grants Fund - The primary purpose of this fund is to account for federal grants received and expended. The primary source of receipts for this fund is federal payments.

Parks and Recreation Fund - The primary purpose of this fund is to account for the receipts and disbursements of the Parks and Recreation Program operated by the county and the city of Cynthiana. The primary sources of receipts for this fund are various fees and contributions from the city.

E911 Fund - The primary purpose of this fund is to account for emergency 911 receipts and disbursements. The primary sources of receipts for this fund are various fees and surcharges and contributions from the city.

Shropshire Fund - The primary purpose of this fund is to account for the receipts and disbursements of the animal shelter. The primary sources of receipts for this fund are various animal shelter fees.

**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 proceeds and debt service of revenue bonds that were issued to fund construction of public buildings. The Department for Local Government does not require the fiscal court to budget this fund.

**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 fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

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

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

**E. Harrison County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Harrison 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 Harrison 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.

**H. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following are considered joint ventures of the Harrison County Fiscal Court:

Cynthiana/Harrison County Public Properties Corporation  
Cynthiana/Harrison County Industrial Authority  
Cynthiana/Berry/Harrison County E-911  
Cynthiana/Harrison County Department of Parks and Recreation

**HARRISON 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, 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.

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, 2018, 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 2018.

	General Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 139,901	\$ 139,901
Road Fund	1,076,000		1,076,000
Jail Fund	617,500		617,500
Federal Grants Fund	139,901		139,901
Parks and Recreation Fund	114,950		114,950
E911 Fund	160,500		160,500
Shropshire Fund	15,000		15,000
Total Transfers Out	<u>\$ 2,123,851</u>	<u>\$ 139,901</u>	<u>\$ 2,263,752</u>

Reason for transfers:

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



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

**Note 4. Long-term Debt**

**A. First Mortgage Revenue Refunding Bonds, Series 2010**

On July 1, 2010, the Harrison County Public Properties Corporation issued \$4,520,000 in First Mortgage Revenue Refunding Bonds, Series 2010, for the purpose of retiring the debt incurred for the construction of a justice center. The refunding bond issue covers a 12 year period with an annual principal payment due each March 1, beginning March 1, 2011. Interest is payable semi-annually each September 1 and March 1, beginning September 1, 2010. The county subsequently entered into a sub-lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. The total principal balance outstanding was \$1,690,000 as of June 30, 2018.

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 370,000	\$ 62,650
2020	435,000	50,626
2021	435,000	35,400
2022	450,000	18,000
Totals	<u>\$ 1,690,000</u>	<u>\$ 166,676</u>

**B. Financing Obligation - 2013 Courthouse Renovation**

On May 1, 2014, Harrison County incurred a loan for \$769,000 for courthouse renovations. The debt issue covers a nine and a half year period with yearly principal payment due each December 1, beginning December 1, 2014. Interest is payable semi-annually each December 1 and June 1, beginning December 1, 2014. The total principal balance outstanding was \$485,000 as of June 30, 2018.

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 76,000	\$ 11,288
2020	78,000	9,367
2021	79,000	7,362
2022	82,000	5,330
2023	84,000	3,235
2024	86,000	1,089
Totals	<u>\$ 485,000</u>	<u>\$ 37,671</u>

**C. Financing Obligation - Sheriff's Vehicles**

On July 14, 2015, Harrison County signed a lease agreement with a bank for \$136,197 for the purchase of five vehicles. The payments are scheduled to be made monthly, beginning on August 14, 2015. The final payment on the lease is due July 14, 2018. The total principal balance outstanding was \$3,883 as of June 30, 2018.

Fiscal Year Ending June 30	Principal	Interest
2019	\$ 3,883	\$ 6
Totals	<u>\$ 3,883</u>	<u>\$ 6</u>

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

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

**D. Financing Obligation - 2017 Trucks**

On July 15, 2016, Harrison County signed a lease agreement with a bank for \$286,444 for the purchase of two vehicles. Interest payments are scheduled to be made monthly, beginning on August 20, 2016. The final payment on the lease is due January 20, 2018. The lease was paid in full as of June 30, 2018.

**E. 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 Refunding Bonds	\$ 2,090,000	\$	\$ 400,000	\$ 1,690,000	\$ 370,000
Financing Obligations	895,476		406,593	488,883	79,883
Total Long-term Debt	<u>\$ 2,985,476</u>	<u>\$ 0</u>	<u>\$ 806,593</u>	<u>\$ 2,178,883</u>	<u>\$ 449,883</u>

**Note 5. Commitment Debt**

**A. Cynthiana/Harrison County Public Properties Corporation**

In June 1995, the Harrison County Fiscal Court (County) and the City of Cynthiana (City) formed the Cynthiana/Harrison County Public Properties Corporation (Corporation) for the acquisition and financing of the Cynthiana/Harrison County Community Service Building project. Upon formation of the Corporation, individual and corporate donations were received and the City received a \$350,000 CDBG grant to construct the community service building. The donations and grant were expected to be approximately \$500,000 short of the anticipated construction costs. The Corporation executed a loan agreement with Farmers National Bank to draw up to \$499,000 in order to complete the project. In March 2013, the Corporation refinanced the project with Bank Trust Financial Corp in the amount of \$350,000. The rent collected from several community service organizations is used to service the debt. The Corporation is managed by the City, and there has been no audit performed for the Corporation in numerous years. Should the Corporation default on the loan, the County could be responsible for one-half of the outstanding liabilities. As of June 30, 2018, the outstanding principal balance was \$249,167.

**B. Cynthiana/Harrison County Industrial Authority**

In January 1999, the Harrison County Fiscal Court (County) adopted a resolution, which obligates the County (in conjunction with the City of Cynthiana's matching offer) to cover 50 percent of any expenses "not covered from net sales proceeds of land by the Cynthiana/Harrison County Industrial Authority" (Authority). This obligation was made in support of the Authority's project to develop an industrial park in Harrison County. In this resolution, the County also committed \$250,000 in order for the Authority to receive an additional \$1,500,000 federal grant. The County's commitment represents one-half of the matching funds needed (in conjunction with the City's matching offer) for the Authority to receive the additional funding. During the fiscal year ended June 30, 2018, the County paid the Authority \$36,000 for their share of the operating expenses of the Authority.

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

**Note 5. Commitment Debt (Continued)**

**C. Cynthiana/Berry/Harrison County E-911**

In April 1999, Harrison County Fiscal Court (County) passed an ordinance for “the establishment of an Enhanced 911 Emergency Telephone Service within Cynthiana and Harrison County, Kentucky.” An E-911 Advisory Board (board) was created with the City of Cynthiana (city) and the County equally represented on the Board. The City and County subsequently entered into an interlocal agreement which states, in part, “The cost of the E-911 program shall be funded from the receipts from a telephone service surcharge, which has been levied by the County to be collected by the appropriate telephone operating company on each eligible business and residential telephone line operating within Harrison County. The county may fix or change the rate of the telephone surcharge to be applied, but it shall be sufficient to meet the budgetary requirements for the operation of the E-911 program. If at any time moneys collected from the telephone surcharge are insufficient to meet the needs and obligations of the Board for the operation of the E-911 program, the remaining costs shall be apportioned evenly (50/50) between the City and the County and immediately forwarded to the Harrison County Treasurer for use by the Board in the operation of the Center.” The assessment fee during the year of audit was four dollars per month for each telephone line within the City and County, and during the fiscal year ended June 30, 2018; the County contributed \$160,500 toward the operating expenses of the E-911 program and the City contributed \$160,500.

**D. Cynthiana/Harrison County Department of Parks and Recreation**

In November 2012, the Harrison County Fiscal Court (County) passed an ordinance “relating to the adoption of an inter-local agreement between the city of Cynthiana and Harrison County, Kentucky for the operation of a recreation program in Harrison County, Kentucky.” A Board of the Cynthiana-Harrison County Department of Parks and Recreation (Board) was established with the City of Cynthiana (City) and the County equally represented on the Board. The City and the County shall share equally in the funding of operational costs of the program unless otherwise agreed by the parties. Each quarter the City and County shall pay into the Program an amount equal to one-fourth of their annual budget allotment for parks and recreation. The parties to this agreement shall not be required to make additional contributions other than those set out in each Party’s annual budget. During the fiscal year ended June 30, 2018, the County contributed \$114,950 toward the operation of the Parks and Recreation Program and the City contributed \$114,950.

**E. Ambulance Services**

The Harrison County Fiscal Court (County) has an agreement with Brown Ambulance Service, Inc. to provide ambulance services for Harrison County for the period July 1, 2015 through June 30, 2018. As a term of that agreement, the County agrees to be co-titled on ambulances in order to provide licensing and insurance for the assets. On December 26, 2017, Brown Ambulance Service, Inc., entered into a loan agreement with Farmer’s Deposit Bank to purchase two new ambulances and refinance their exiting two ambulances. Since the County is co-titled on the assets being borrowed against, the County signed an agreement providing the ambulances be used as collateral for the Brown Ambulance Service, Inc. loan in the amount of \$136,085.

**Note 6. 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.

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

**Note 6. Employee Retirement System (Continued)**

The county's contribution for FY 2016 was \$401,868, FY 2017 was \$407,444, and FY 2018 was \$387,003.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 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 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 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 4 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.

Hazardous

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 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 8 percent of their annual creditable compensation and also contribute 1 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.

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

**Note 6. 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 31.55 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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.

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. This 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.

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)

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.

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

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.

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 this benefit. Members with multiple accounts are entitled to only one death benefit.

G. 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.

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

**Note 6. Employee Retirement System (Continued)**

G. KRS Annual Financial Report and Proportionate Share Audit Report (Continued)

KRS also issues proportionate share audit reports for both 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 Schedules 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 7. Deferred Compensation**

The Harrison 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 8. Insurance**

For the fiscal year ended June 30, 2018, the Harrison 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 9. Related Party Transaction**

The Harrison County Fiscal Court did business with a company owned by a magistrate's son. The amount spent during fiscal year ended June 30, 2018, was \$813.

**Note 10. Conduit Debt**

The county, in accordance with KRS 103.210, has issued a healthcare improvement revenue bond to provide financial assistance, up to \$4,500,000, for the acquisition and installation of an information technology system to be owned and operated by the Harrison County Memorial Hospital, Inc. The bond is deemed to be in the public interest. Conduit debt obligations bear the Harrison County Fiscal Court's name as issuer. However, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The bonds, accordingly, are not reported as liabilities in the accompanying financial statement.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 4,404,000	\$ 4,404,000	\$ 4,603,823	\$ 199,823
In Lieu Tax Payments	4,500	4,500	4,814	314
Excess Fees	38,800	38,800	21,945	(16,855)
Licenses and Permits	11,000	11,000	10,194	(806)
Intergovernmental	382,600	382,600	306,125	(76,475)
Miscellaneous	241,000	256,678	228,459	(28,219)
Interest	10,000	10,000	7,860	(2,140)
Total Receipts	<u>5,091,900</u>	<u>5,107,578</u>	<u>5,183,220</u>	<u>75,642</u>
<b>DISBURSEMENTS</b>				
General Government	1,643,992	1,701,224	1,559,768	141,456
Protection to Persons and Property	316,141	316,241	289,197	27,044
General Health and Sanitation	412,028	424,075	393,370	30,705
Social Services	112,096	112,096	97,011	15,085
Recreation and Culture	94,930	95,430	24,546	70,884
Airports	10,000	10,000	10,000	
Bus Services	10,000	10,000	6,166	3,834
Other Transportation Facilities and Services	3,000	3,000	3,000	
Debt Service	124,247	124,574	124,516	58
Capital Projects	55,000	55,000		55,000
Administration	1,398,106	1,343,578	960,084	383,494
Total Disbursements	<u>4,179,540</u>	<u>4,195,218</u>	<u>3,467,658</u>	<u>727,560</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>912,360</u>	<u>912,360</u>	<u>1,715,562</u>	<u>803,202</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			139,901	139,901
Transfers To Other Funds	(2,141,094)	(2,141,094)	(2,123,851)	17,243
Total Other Adjustments to Cash (Uses)	<u>(2,141,094)</u>	<u>(2,141,094)</u>	<u>(1,983,950)</u>	<u>157,144</u>
Net Change in Fund Balance	(1,228,734)	(1,228,734)	(268,388)	960,346
Fund Balance - Beginning	<u>1,228,734</u>	<u>1,228,734</u>	<u>1,343,842</u>	<u>115,108</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,075,454</u>	<u>\$ 1,075,454</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,432,642	\$ 1,432,642	\$ 1,321,440	\$ (111,202)
Miscellaneous	348,444	348,444	106,843	(241,601)
Interest	550	550	247	(303)
Total Receipts	<u>1,781,636</u>	<u>1,781,636</u>	<u>1,428,530</u>	<u>(353,106)</u>
<b>DISBURSEMENTS</b>				
Roads	2,061,605	1,934,462	1,648,482	285,980
Debt Service	303,365	303,385	303,358	27
Capital Projects	100,000	252,600	252,378	222
Administration	384,100	358,623	291,200	67,423
Total Disbursements	<u>2,849,070</u>	<u>2,849,070</u>	<u>2,495,418</u>	<u>353,652</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,067,434)</u>	<u>(1,067,434)</u>	<u>(1,066,888)</u>	<u>546</u>
<b>Other Adjustments to Cash (Uses)</b>				
Lease Proceeds	50,000	50,000		(50,000)
Transfers From Other Funds	1,015,934	1,015,934	1,076,000	60,066
Total Other Adjustments to Cash (Uses)	<u>1,065,934</u>	<u>1,065,934</u>	<u>1,076,000</u>	<u>10,066</u>
Net Change in Fund Balance	(1,500)	(1,500)	9,112	10,612
Fund Balance - Beginning	1,500	1,500	9,555	8,055
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,667</u>	<u>\$ 18,667</u>

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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 114,500	\$ 114,500	\$ 110,796	\$ (3,704)
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	1,000	1,000	238	(762)
Total Receipts	<u>116,500</u>	<u>116,500</u>	<u>111,034</u>	<u>(5,466)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	911,660	911,660	698,498	213,162
Administration	34,500	34,500	32,604	1,896
Total Disbursements	<u>946,160</u>	<u>946,160</u>	<u>731,102</u>	<u>215,058</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(829,660)</u>	<u>(829,660)</u>	<u>(620,068)</u>	<u>209,592</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>814,660</u>	<u>814,660</u>	<u>617,500</u>	<u>(197,160)</u>
Total Other Adjustments to Cash (Uses)	<u>814,660</u>	<u>814,660</u>	<u>617,500</u>	<u>(197,160)</u>
Net Change in Fund Balance	(15,000)	(15,000)	(2,568)	12,432
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>17,858</u>	<u>2,858</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,290</u>	<u>\$ 15,290</u>

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

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,016,000	\$ 1,016,000	\$ 993,757	\$ (22,243)
Total Receipts	1,016,000	1,016,000	993,757	(22,243)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	30,000	30,000		30,000
General Health and Sanitation	995,100	995,100	993,777	1,323
Administration	13,711	13,711		13,711
Total Disbursements	1,038,811	1,038,811	993,777	45,034
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(22,811)	(22,811)	(20)	22,791
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			139,901	139,901
Transfers To Other Funds			(139,901)	(139,901)
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(22,811)	(22,811)	(20)	22,791
Fund Balance - Beginning	22,811	22,811	22,811	
Fund Balance - Ending	\$ 0	\$ 0	\$ 22,791	\$ 22,791

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

	<b>PARKS AND RECREATION FUND</b>			
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Charges for Services	\$ 40,000	\$ 40,000	\$ 54,779	\$ 14,779
Miscellaneous	168,050	168,050	183,359	15,309
Interest	100	100	101	1
Total Receipts	<u>208,150</u>	<u>208,150</u>	<u>238,239</u>	<u>30,089</u>
<b>DISBURSEMENTS</b>				
Recreation and Culture	268,800	282,711	281,819	892
Administration	60,300	46,389	46,389	
Total Disbursements	<u>329,100</u>	<u>329,100</u>	<u>328,208</u>	<u>892</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(120,950)</u>	<u>(120,950)</u>	<u>(89,969)</u>	<u>30,981</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>114,950</u>	<u>114,950</u>	<u>114,950</u>	
Total Other Adjustments to Cash (Uses)	<u>114,950</u>	<u>114,950</u>	<u>114,950</u>	
Net Change in Fund Balance	(6,000)	(6,000)	24,981	30,981
Fund Balance - Beginning	<u>6,000</u>	<u>6,000</u>	<u>29,741</u>	<u>23,741</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,722</u>	<u>\$ 54,722</u>

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

	<b>E911 FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 170,000	\$ 170,000	\$ 148,131	\$ (21,869)
Intergovernmental	120,000	120,000	193,244	73,244
Miscellaneous	161,500	161,500	160,500	(1,000)
Interest	200	200	658	458
Total Receipts	<u>451,700</u>	<u>451,700</u>	<u>502,533</u>	<u>50,833</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	608,200	608,800	498,158	110,642
Administration	5,000	4,400		4,400
Total Disbursements	<u>613,200</u>	<u>613,200</u>	<u>498,158</u>	<u>115,042</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(161,500)</u>	<u>(161,500)</u>	<u>4,375</u>	<u>165,875</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>160,500</u>	<u>160,500</u>	<u>160,500</u>	<u></u>
Total Other Adjustments to Cash (Uses)	<u>160,500</u>	<u>160,500</u>	<u>160,500</u>	<u></u>
Net Change in Fund Balance	(1,000)	(1,000)	164,875	165,875
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>315,756</u>	<u>314,756</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 480,631</u>	<u>\$ 480,631</u>



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

	<b>SHROPSHIRE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 3,700	\$ 3,700	\$ 2,095	\$ (1,605)
Intergovernmental	1,000	1,000		(1,000)
Charges for Services	20,500	20,500	19,974	(526)
Miscellaneous	6,300	6,300	13,703	7,403
Interest	3,100	3,100	1,950	(1,150)
Total Receipts	<u>34,600</u>	<u>34,600</u>	<u>37,722</u>	<u>3,122</u>
<b>DISBURSEMENTS</b>				
General Health and Sanitation	69,650	69,650	50,860	18,790
Administration	1,000	1,000		1,000
Total Disbursements	<u>70,650</u>	<u>70,650</u>	<u>50,860</u>	<u>19,790</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(36,050)</u>	<u>(36,050)</u>	<u>(13,138)</u>	<u>22,912</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>35,050</u>	<u>35,050</u>	<u>15,000</u>	<u>(20,050)</u>
Total Other Adjustments to Cash (Uses)	<u>35,050</u>	<u>35,050</u>	<u>15,000</u>	<u>(20,050)</u>
Net Change in Fund Balance	(1,000)	(1,000)	1,862	2,862
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>356,794</u>	<u>355,794</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,656</u>	<u>\$ 358,656</u>

**HARRISON 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 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.

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

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

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**HARRISON 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:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 488,500	\$	\$	\$ 488,500
Land Improvements	441,628			441,628
Buildings	7,776,788			7,776,788
Vehicles and Equipment	2,144,871	243,030	19,999	2,367,902
Other Equipment	1,486,664	28,258		1,514,922
Infrastructure	28,331,710	1,146,777		29,478,487
 Total Capital Assets	 <u>\$ 40,670,161</u>	 <u>\$ 1,418,065</u>	 <u>\$ 19,999</u>	 <u>\$ 42,068,227</u>

**HARRISON 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	\$ 5,000	10-60
Buildings	\$ 5,000	10-75
Other Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**HARRISON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**HARRISON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	KY20150428-0414	\$ 948,777	\$ 993,777
<b>Total U.S. Department of Housing and Urban Development</b>			<u>948,777</u>	<u>993,777</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMA-2016-EP-0008-S-01	\$	\$ 15,684
<b>Total U.S. Department of Homeland Security</b>				<u>15,684</u>
Total Expenditures of Federal Awards			<u>\$ 948,777</u>	<u>\$ 1,009,461</u>

The accompanying notes are an integral part of this schedule.

**HARRISON COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2018**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Harrison County, Kentucky under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Harrison County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Harrison County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported 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. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

Harrison County has not adopted an indirect cost rate.

**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***

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

The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison 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 Harrison County Fiscal Court for the fiscal year ended June 30, 2018, and the related notes to the financial statement which collectively comprise the Harrison County Fiscal Court's financial statement and have issued our report thereon dated February 4, 2019.

**Internal Control Over Financial Reporting**

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

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

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



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Harrison 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001.

**Views of Responsible Officials and Planned Corrective Action**

Harrison County's views and planned corrective action for the finding identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. 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

February 4, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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

The Honorable Alex Barnett, Harrison County Judge/Executive  
Members of the Harrison County Fiscal Court

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Harrison County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Harrison County Fiscal Court's major federal programs for the year ended June 30, 2018. The Harrison County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Harrison County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Harrison County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Harrison County Fiscal Court's compliance.



Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With Uniform Guidance  
(Continued)

**Opinion on Each Major Federal Program**

In our opinion, the Harrison County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

Management of the Harrison County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Harrison County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Harrison County Fiscal Court's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

February 4, 2019

**HARRISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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**HARRISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any noncompliances material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs: <i>Unmodified</i>		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**HARRISON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2018  
(Continued)**

**Section II: Financial Statement Findings**

*State Laws and Regulations*

2018-001 The Harrison County Fiscal Court Did Not Advertise For Bids For Ambulance Services

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Harrison County Fiscal Court entered into an agreement with a vendor for the period July 1, 2015 through June 30, 2018, to provide ambulance services for Harrison County without advertising for bids. For fiscal year 2018, the county paid an annual subsidy to the company in the amount of \$225,000. The county was not aware that bidding was required for the ambulance service due to the vendor having the Certificate of Need for Harrison County. By not ensuring that proper bidding procedures were followed prior to authorization and payment of invoices exceeding \$20,000, the county was not in compliance with KRS 424.260. In addition, competitive bidding ensure that the county procures materials and services at the best available price. By limiting competition, the county may not get this benefit.

KRS 424.260 states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids.”

We recommend the fiscal court follow KRS 424.260 for bidding ambulance services.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: We plan to bid within next six months if [vendor] is not liquidated.*

**Section III: Federal Award Findings And Questioned Costs**

No matters were reported.

**Section IV: Summary Schedule of Prior Audit Findings**

None.