

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

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
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EXECUTIVE SUMMARY

AUDIT OF THE
HARRISON COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Harrison County Fiscal Court for the fiscal year ended June 30, 2016.

We have issued an unmodified opinion, based on our audit, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Harrison County Fiscal Court.

Financial Condition:

The Harrison County Fiscal Court had total receipts of \$7,980,751 and disbursements of \$7,474,695 in fiscal year 2016. This resulted in a total ending fund balance of \$1,847,970, which is an increase of \$642,253 from the prior year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
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, 2016, 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.



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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, 2016, 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, 2016, 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 and Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2017, 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.

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

May 16, 2017

HARRISON COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

Alex Barnett	County Judge/Executive
Stanley F. Lemons	Magistrate
Paula Haviland	Magistrate
Brad Marshall	Magistrate
Scott Herrington	Magistrate
Sam 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, 2016

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

For The Year Ended June 30, 2016

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,351,467	\$	\$
In Lieu Tax Payments	4,173		
Excess Fees	78,844		
Licenses and Permits	11,115		
Intergovernmental	303,948	1,430,191	125,143
Charges for Services			
Miscellaneous	196,040	54,996	2,190
Interest	4,803	656	
Total Receipts	<u>4,950,390</u>	<u>1,485,843</u>	<u>127,333</u>
DISBURSEMENTS			
General Government	1,534,797		
Protection to Persons and Property	286,220		715,584
General Health and Sanitation	330,830		
Social Services	111,920		
Recreation and Culture	15,230		
Roads		1,250,823	
Airports	10,000		
Bus Services	8,208		
Other Transportation Facilities and Services	3,000		
Debt Service	121,026	8,556	
Capital Projects	118,169	256,423	
Administration	948,307	339,475	31,243
Total Disbursements	<u>3,487,707</u>	<u>1,855,277</u>	<u>746,827</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,462,683</u>	<u>(369,434)</u>	<u>(619,494)</u>
Other Adjustments to Cash (Uses)			
Lease Proceeds	108,464	27,733	
Transfers From Other Funds	275,000	701,063	620,000
Transfers To Other Funds	<u>(1,461,750)</u>	<u>(352,500)</u>	
Total Other Adjustments to Cash (Uses)	<u>(1,078,286)</u>	<u>376,296</u>	<u>620,000</u>
Net Change in Fund Balance	384,397	6,862	506
Fund Balance - Beginning (Restated)	862,199	21,889	14,803
Fund Balance - Ending	<u>\$ 1,246,596</u>	<u>\$ 28,751</u>	<u>\$ 15,309</u>
Composition of Fund Balance			
Bank Balance	\$ 831,253	\$ 481,440	\$ 18,068
Money Market Account			
Less: Outstanding Checks	(84,657)	(452,689)	(2,760)
Certificates of Deposit	<u>500,000</u>		
Fund Balance - Ending	<u>\$ 1,246,596</u>	<u>\$ 28,751</u>	<u>\$ 15,309</u>

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

HARRISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2016
(Continued)

Budgeted Funds				Unbudgeted Funds	
Federal Grants Fund	Parks & Recreation Fund	E-911 Fund	Shropshire Fund	Public Properties Corporation Fund	Total Funds
\$	\$ 37,088	\$	\$	\$	\$ 4,388,555
					4,173
					78,844
		174,350	3,037		188,502
78,563	1,000	122,003	660	479,400	2,540,908
			23,672		23,672
	159,357	169,395	166,315		748,293
10	65	219	2,050	1	7,804
<u>78,573</u>	<u>197,510</u>	<u>465,967</u>	<u>195,734</u>	<u>479,401</u>	<u>7,980,751</u>
					1,534,797
		479,032			1,480,836
			93,403		424,233
					111,920
	290,957				306,187
					1,250,823
					10,000
					8,208
					3,000
				477,900	607,482
					374,592
	42,092			1,500	1,362,617
	<u>333,049</u>	<u>479,032</u>	<u>93,403</u>	<u>479,400</u>	<u>7,474,695</u>
<u>78,573</u>	<u>(135,539)</u>	<u>(13,065)</u>	<u>102,331</u>	<u>1</u>	<u>506,056</u>
					136,197
	99,400	168,000	55,897		1,919,360
(78,563)			(26,547)		(1,919,360)
(78,563)	99,400	168,000	29,350		136,197
10	(36,139)	154,935	131,681	1	642,253
22,801	42,018	9	231,101	10,897	1,205,717
<u>\$ 22,811</u>	<u>\$ 5,879</u>	<u>\$ 154,944</u>	<u>\$ 362,782</u>	<u>\$ 10,898</u>	<u>\$ 1,847,970</u>
\$ 22,811	\$ 29,755	\$ 157,600	\$ 2,939	\$ 10,898	\$ 1,554,765
			29,627		29,627
	(23,876)	(2,656)	(2,238)		(568,875)
			332,454		832,454
<u>\$ 22,811</u>	<u>\$ 5,879</u>	<u>\$ 154,944</u>	<u>\$ 362,782</u>	<u>\$ 10,898</u>	<u>\$ 1,847,970</u>

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

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TO THE FINANCIAL STATEMENT**

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HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2016

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.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

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

Parks & Recreation Fund - The primary purpose of this fund is to account for receipts and disbursements of the Parks and Recreation Program operated by the county and the City of Cynthiana.

E-911 Fund - The purpose of this fund is to account for receipts and disbursements of E-911.

Shropshire Fund - The purpose of this fund is to account for the receipts and disbursements of the Shropshire Animal Shelter.

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 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 corporation 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, 2016
(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.

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.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, 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 2016.

	General Fund	Road Fund	Shropshire Fund	Federal Grants Fund	Total Transfers In
General Fund	\$	\$ 275,000	\$	\$	\$ 275,000
Road Fund	622,500			78,563	701,063
Jail Fund	545,000	75,000			620,000
Shropshire Fund	26,850	2,500	26,547		55,897
Parks & Recreation Fund	99,400				99,400
E-911 Fund	168,000				168,000
Total Transfers Out	<u>\$ 1,461,750</u>	<u>\$ 352,500</u>	<u>\$ 26,547</u>	<u>\$ 78,563</u>	<u>\$ 1,919,360</u>

Reason for transfers:

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

Note 4. Long-term Debt

A. First Mortgage Revenue Refunding Bonds, Series 2010

On July 1, 2010, 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 twelve-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 \$2,485,000 as of June 30, 2016.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 4. Long-term Debt (Continued)

A. First Mortgage Revenue Refunding Bonds, Series 2010 (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 395,000	\$ 86,500
2018	400,000	74,650
2019	370,000	62,650
2020	435,000	50,626
2021	435,000	35,400
2022	450,000	18,000
Totals	<u>\$ 2,485,000</u>	<u>\$ 327,826</u>

B. Financing Obligations, General Obligation Lease 2013, (Courthouse Renovation)

On May 1, 2014, Harrison County incurred a loan for \$769,000 for courthouse renovation. 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 \$631,000 as of June 30, 2016.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 72,000	\$ 15,024
2018	74,000	13,181
2019	76,000	11,288
2020	78,000	9,367
2021	79,000	7,362
2022-2024	252,000	9,654
Totals	<u>\$ 631,000</u>	<u>\$ 65,876</u>

C. Capital Lease, 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. During fiscal year 2016, the county paid \$40,839, leaving them with a remaining principal balance of \$95,358.

Fiscal Year Ending June 30	Principal	Scheduled Interest
2017	\$ 45,326	\$ 1,344
2018	46,149	521
2019	3,883	6
Totals	<u>\$ 95,358</u>	<u>\$ 1,871</u>

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 4. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 2,865,000	\$	\$ 380,000	\$ 2,485,000	\$ 395,000
Financing Obligations	701,000	136,197	110,839	726,358	117,326
Total Long-term Debt	<u>\$ 3,566,000</u>	<u>\$ 136,197</u>	<u>\$ 490,839</u>	<u>\$ 3,211,358</u>	<u>\$ 512,326</u>

Note 5. Commitment Debt

A. Cynthiana/Harrison County Public Properties Corporation

In June 1995, the Harrison County Fiscal Court and the City of Cynthiana 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 Community Development Block Grant (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 at Farmers National Bank, the county could be responsible for one-half of the outstanding liabilities. As of June 30, 2016, the outstanding principal balance was \$289,970.

B. Cynthiana/Harrison County Industrial Authority

In January 1999, the Harrison County Fiscal Court 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 "the sum of two hundred fifty thousand (\$250,000) dollars" in order for the Authority to receive an additional one and one-half million (\$1,500,000) dollar 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, 2016, the county paid the Authority \$57,383 for their share of the operating expenses of the Authority.

**HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)**

Note 5. Commitment Debt (Continued)

C. Cynthiana/Berry/Harrison County E-911

In April 1999, the Harrison County Fiscal Court 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 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, 2016 the county contributed \$168,000 toward the operating expenses of the E-911 program and the city contributed \$168,000.

D. Cynthiana/Harrison County Department of Parks and Recreation

In November 2012, the Harrison County Fiscal Court passed an ordinance “relating to the adoption of an interlocal 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 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, 2016, the county contributed \$89,400 toward the operation of the Parks and Recreation Program and the city contributed \$89,400.

Note 6. Employee Retirement System

Plan Description

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

This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 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 the plan. The county’s contribution rate for nonhazardous employees was 17.06 percent.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Employee Retirement System (Continued)

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. The county's contribution rate for hazardous employees was 32.95 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) and eight percent (hazardous) of their annual creditable compensation and 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 member's account is credited with a four percent (nonhazardous) and seven and one-half percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2014 was \$426,086, FY 2015 was \$410,871, and FY 2016 was \$401,868.

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.

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

CERS also provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. 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.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 6. Employee Retirement System (Continued)

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, such employee's spouse receives 10 dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/Employers/Resources/Pages/GASB.aspx>. 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, 2016, 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 Transactions

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, 2016, was \$11,400.

HARRISON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2016
(Continued)

Note 10. Flexible Spending Account

The Harrison County Fiscal Court established a flexible spending account to provide employees an additional health and dependent care benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee providing various amounts based on how much the employee contributes into the account at the beginning of each fiscal year to pay for qualified medical expenses.

Note 11. Prior Year Adjustment

The prior year ending fund balance for the general fund was increased by \$10 because of a prior year voided check.

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,138,000	\$ 4,138,000	\$ 4,351,467	\$ 213,467
In Lieu Tax Payments	4,100	4,100	4,173	73
Excess Fees	43,790	43,790	78,844	35,054
Licenses and Permits	11,000	11,000	11,115	115
Intergovernmental	385,100	388,204	303,948	(84,256)
Miscellaneous	246,000	246,000	196,040	(49,960)
Interest	6,500	6,500	4,803	(1,697)
Total Receipts	4,834,490	4,837,594	4,950,390	112,796
DISBURSEMENTS				
General Government	1,628,454	1,646,479	1,534,797	111,682
Protection to Persons and Property	296,048	299,958	286,220	13,738
General Health and Sanitation	327,558	348,935	330,830	18,105
Social Services	109,700	117,170	111,920	5,250
Recreation and Culture	71,230	71,730	15,230	56,500
Airports	10,000	10,000	10,000	
Bus Services	10,000	10,000	8,208	1,792
Other Transportation Facilities	3,000	3,000	3,000	
Debt Service	86,860	124,196	121,026	3,170
Capital Projects	55,000	126,640	118,169	8,471
Administration	1,143,280	1,084,590	948,307	136,283
Total Disbursements	3,741,130	3,842,698	3,487,707	354,991
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,093,360	994,896	1,462,683	467,787
Other Adjustments to Cash (Uses)				
Lease Proceeds		108,464	108,464	
Transfers From Other Funds			275,000	275,000
Transfers To Other Funds	(2,194,260)	(2,194,260)	(1,461,750)	732,510
Total Other Adjustments to Cash (Uses)	(2,194,260)	(2,085,796)	(1,078,286)	1,007,510
Net Change in Fund Balance	(1,100,900)	(1,090,900)	384,397	1,475,297
Fund Balance - Beginning	1,100,900	1,100,900	862,199	(238,701)
Fund Balance - Ending	\$ 0	\$ 10,000	\$ 1,246,596	\$ 1,236,596

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,418,427	\$ 1,418,427	\$ 1,430,191	\$ 11,764
Miscellaneous	70,000	70,000	54,996	(15,004)
Interest	550	550	656	106
Total Receipts	<u>1,488,977</u>	<u>1,488,977</u>	<u>1,485,843</u>	<u>(3,134)</u>
DISBURSEMENTS				
Roads	2,345,637	2,197,912	1,250,823	947,089
Debt	25,000	25,000	8,556	16,444
Capital Projects	120,000	286,341	256,423	29,918
Administration	380,000	361,384	339,475	21,909
Total Disbursements	<u>2,870,637</u>	<u>2,870,637</u>	<u>1,855,277</u>	<u>1,015,360</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,381,660)</u>	<u>(1,381,660)</u>	<u>(369,434)</u>	<u>1,012,226</u>
Other Adjustments to Cash (Uses)				
Lease Proceeds	50,000	50,000	27,733	(22,267)
Transfers From Other Funds	1,290,660	1,290,660	701,063	(589,597)
Transfers To Other Funds			(352,500)	(352,500)
Total Other Adjustments to Cash (Uses)	<u>1,340,660</u>	<u>1,340,660</u>	<u>376,296</u>	<u>(942,097)</u>
Net Change in Fund Balance	(41,000)	(41,000)	6,862	47,862
Fund Balance - Beginning	<u>41,000</u>	<u>41,000</u>	<u>21,889</u>	<u>(19,111)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,751</u>	<u>\$ 28,751</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 120,700	\$ 120,700	\$ 125,143	\$ 4,443
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	1,000	1,000	2,190	1,190
Total Receipts	<u>122,700</u>	<u>122,700</u>	<u>127,333</u>	<u>4,633</u>
DISBURSEMENTS				
Protection to Persons and Property	729,300	728,770	715,584	13,186
Administration	33,500	34,030	31,243	2,787
Total Disbursements	<u>762,800</u>	<u>762,800</u>	<u>746,827</u>	<u>13,186</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(640,100)</u>	<u>(640,100)</u>	<u>(619,494)</u>	<u>17,819</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>620,100</u>	<u>620,100</u>	<u>620,000</u>	<u>(100)</u>
Total Other Adjustments to Cash (Uses)	<u>620,100</u>	<u>620,100</u>	<u>620,000</u>	<u>(100)</u>
Net Change in Fund Balance	(20,000)	(20,000)	506	20,506
Fund Balance - Beginning	<u>20,000</u>	<u>20,000</u>	<u>14,803</u>	<u>(5,197)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,309</u>	<u>\$ 15,309</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 32,000	\$ 39,315	\$ 78,563	\$ 39,248
Miscellaneous			10	10
Total Receipts	<u>32,000</u>	<u>39,315</u>	<u>78,573</u>	<u>39,258</u>
DISBURSEMENTS				
General Government		7,315		7,315
Protection to Persons and Property	30,000	30,000		30,000
Administration	7,000	7,000		7,000
Total Disbursements	<u>37,000</u>	<u>44,315</u>		<u>44,315</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(5,000)</u>	<u>(5,000)</u>	<u>78,573</u>	<u>83,573</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(78,563)	(78,563)
Total Other Adjustments to Cash (Uses)			<u>(78,563)</u>	<u>(78,563)</u>
Net Change in Fund Balance	(5,000)	(5,000)	10	5,010
Fund Balance - Beginning	<u>5,000</u>	<u>5,000</u>	<u>22,801</u>	<u>17,801</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,811</u>	<u>\$ 22,811</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

PARKS & RECREATION FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 44,000	\$ 44,000	\$ 37,088	\$ (6,912)
Intergovernmental	10,000	10,000	1,000	(9,000)
Miscellaneous	169,500	169,500	159,357	(10,143)
Interest	100	100	65	(35)
Total Receipts	<u>223,600</u>	<u>223,600</u>	<u>197,510</u>	<u>(26,090)</u>
DISBURSEMENTS				
Recreation and Culture	291,500	305,500	290,957	14,543
Administration	61,500	47,500	42,092	5,408
Total Disbursements	<u>353,000</u>	<u>353,000</u>	<u>333,049</u>	<u>19,951</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(129,400)</u>	<u>(129,400)</u>	<u>(135,539)</u>	<u>(6,139)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>89,400</u>	<u>89,400</u>	<u>99,400</u>	<u>10,000</u>
Total Other Adjustments to Cash (Uses)	<u>89,400</u>	<u>89,400</u>	<u>99,400</u>	<u>10,000</u>
Net Change in Fund Balance	(40,000)	(40,000)	(36,139)	3,861
Fund Balance - Beginning	<u>40,000</u>	<u>40,000</u>	<u>42,018</u>	<u>2,018</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,879</u>	<u>\$ 5,879</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	E-911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 165,000	\$ 165,000	\$ 174,350	\$ 9,350
Intergovernmental	120,000	225,000	122,003	(102,997)
Miscellaneous	169,000	169,000	169,395	395
Interest	100	100	219	119
Total Receipts	<u>454,100</u>	<u>559,100</u>	<u>465,967</u>	<u>(93,133)</u>
DISBURSEMENTS				
Protection to Persons and Property	635,100	740,100	479,032	261,068
Administration	5,000	5,000		5,000
Total Disbursements	<u>640,100</u>	<u>745,100</u>	<u>479,032</u>	<u>266,068</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(186,000)</u>	<u>(186,000)</u>	<u>(13,065)</u>	<u>172,935</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	168,000	168,000	168,000	
Total Other Adjustments to Cash (Uses)	<u>168,000</u>	<u>168,000</u>	<u>168,000</u>	
Net Change in Fund Balance	(18,000)	(18,000)	154,935	172,935
Fund Balance - Beginning	<u>18,000</u>	<u>18,000</u>	<u>9</u>	<u>(17,991)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 154,944</u>	<u>\$ 154,944</u>

HARRISON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2016
(Continued)

	SHROPSHIRE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 3,700	\$ 3,700	\$ 3,037	\$ (663)
Intergovernmental	2,000	2,000	660	(1,340)
Charges for Services	18,000	18,000	23,672	5,672
Miscellaneous	4,500	42,259	166,315	124,056
Interest	3,100	3,100	2,050	(1,050)
Total Receipts	<u>31,300</u>	<u>69,059</u>	<u>195,734</u>	<u>126,675</u>
DISBURSEMENTS				
General Health and Sanitation	58,400	105,159	93,403	11,756
Administration		1,000		1,000
Total Disbursements	<u>58,400</u>	<u>106,159</u>	<u>93,403</u>	<u>12,756</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(27,100)</u>	<u>(37,100)</u>	<u>102,331</u>	<u>139,431</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	26,100	26,100	55,897	29,797
Transfers To Other Funds			(26,547)	(26,547)
Total Other Adjustments to Cash (Uses)	<u>26,100</u>	<u>26,100</u>	<u>29,350</u>	<u>3,250</u>
Net Change in Fund Balance	(1,000)	(11,000)	131,681	142,681
Fund Balance - Beginning	<u>1,000</u>	<u>1,000</u>	<u>231,101</u>	<u>230,101</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (10,000)</u>	<u>\$ 362,782</u>	<u>\$ 372,782</u>

HARRISON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2016

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, 2016

HARRISON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2016

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 488,500	\$	\$	\$ 488,500
Land Improvements	135,844	39,265		175,109
Buildings	8,041,295	41,277	39,265	8,043,307
Vehicles	2,382,963	418,360	325,933	2,475,390
Other Equipment	1,046,726	13,800	10,395	1,050,131
Infrastructure	25,451,764	849,728		26,301,492
 Total Capital Assets	 <u>\$ 37,547,092</u>	 <u>\$ 1,362,430</u>	 <u>\$ 375,593</u>	 <u>\$ 38,533,929</u>

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

June 30, 2016

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

**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***



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, 2016, 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 May 16, 2017.

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 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.

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

May 16, 2017

