

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

**For The Fiscal Year Ended
June 30, 2019**



To the People of Kentucky
Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess 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 Daviess County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Daviess 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. 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 Daviess 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 Daviess County Fiscal Court as of June 30, 2019, 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 Daviess County Fiscal Court as of June 30, 2019, 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 Daviess County Fiscal Court. The Budgetary Comparison Schedules, Schedule of Capital Assets, 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 Administration 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, Schedule of Capital Assets, 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.

DAVIESS COUNTY OFFICIALS

For The Year Ended June 30, 2019

Fiscal Court Members:

Al Mattingly	County Judge/Executive
Charlie Castlen	Commissioner
George Wathen	Commissioner
Mike Koger	Commissioner

Other Elected Officials:

Claude Porter	County Attorney
Arthur Maglinger	Jailer
Leslie McCarty	County Clerk
Jennifer Besecker	Circuit Court Clerk
Keith Cain	Sheriff
Rachel Foster	Property Valuation Administrator
Jeff Jones	Coroner

Appointed Personnel:

Jim Hendrix	County Treasurer
Mary Moss	Executive Assistant
Jennifer Warren	Fiscal Court Clerk

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

For The Year Ended June 30, 2019

DAVIESS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2019
(Continued)

	Budgeted Funds		
	Solid Waste Debt Service Fund	Solid Waste Closure Fund	Solid Waste Post Closure Fund
RECEIPTS			
Taxes	\$	\$	\$
Excess Fees			
Licenses and Permits			
Intergovernmental			
Charges for Services			
Miscellaneous			
Interest	18	76,656	55,732
Total Receipts	<u>18</u>	<u>76,656</u>	<u>55,732</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation		404,720	
Social Services			
Recreation and Culture			
Roads			
Airports			
Bus Services			
Debt Service			
Capital Projects			
Administration			
Total Disbursements		<u>404,720</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other			
Adjustments to Cash (Uses)	18	(328,064)	55,732
Other Adjustments to Cash (Uses)			
KY Infrastructure Authority-loan only			
Transfers From Other Funds		107,600	
Transfers To Other Funds			
Total Other Adjustments to Cash (Uses)		<u>107,600</u>	
Net Change in Fund Balance	18	(220,464)	55,732
Fund Balance - Beginning (Restated)	989	4,485,343	3,032,443
Fund Balance - Ending	<u>\$ 1,007</u>	<u>\$ 4,264,879</u>	<u>\$ 3,088,175</u>
Composition of Fund Balance			
Bank Balance	\$ 1,007	\$ 4,264,879	\$ 3,088,175
Deposits In Transit			
Less Outstanding Checks			
Ending Fund Balance	<u>\$ 1,007</u>	<u>\$ 4,264,879</u>	<u>\$ 3,088,175</u>

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

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Daviess County includes all budgeted and unbudgeted funds under the control of the Daviess 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, 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 Government Accounting Standards Board (GASB). This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Solid Waste Construction Fund - The primary purpose of this fund is to account for the construction activities of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Operating Fund - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are from charges to customers for tipping fees.

Bond Fund - The primary purpose of this fund is to account for the activities of the County's long-term debt. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Economic Development Fund - The primary purpose of this fund is to account for the activities of the County's effort for economic development. The primary sources of revenue for this fund are from transfers from the general fund.

Solid Waste Debt Service Fund - The primary purpose of this fund is to account for the debt activity related to the landfill. The primary sources of revenues are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Closure Fund - The primary purpose of this fund is to account for the expenditures related to closure of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Post Closure Fund - The primary purpose of this fund is to account for the expenditures related to post closure of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Improvement 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.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 5. Receivables

A. Audubon Area Community Services Inc.

The Daviess County Public Improvement Corporation entered into a bond issue on December 28, 2007 to finance the acquisition, construction, installation and equipping of a facility to be leased to the Audubon Area Services, Inc. in the furtherance of its educational purposes, all to benefit of the residents of the county.

The Corporation and Audubon Area Community Services, Inc. (AACSI) have entered into a lease, dated December 1, 2007, whereby the AACSI makes semi-annual payments directly to the Public Improvement Corporation to fully fund the debt service for the bond issue. Interest is calculated at 3.00% per annum. The receivable reflects the principal amount due from the AACSI of \$3,230,000 outstanding as of June 30, 2019. The amount receivable corresponds to the AACSI liability outstanding as of the end of the fiscal year. (See Note 6 (A) for disclosures related to the AACSI liability.)

B. Green River Area Development District

The County of Daviess entered into a lease agreement with Old National Bank on June 18, 2015, to refinance Green River Area Development District's Mortgage Revenue Bonds, Series 2012. The County and the Green River Area Development District (GRADD) have entered into a sub-lease, dated June 18, 2015, whereby the GRADD makes semi-annual payments directly to the Old National Bank to fully fund the debt service for the lease agreement. Interest is calculated at 2.80% per annum. The receivable reflects the principal amount due from GRADD of \$633,180 outstanding as of June 30, 2019. The amount receivable corresponds to the GRADD liability outstanding as of the end of the fiscal year. (See Note 6 (G) for disclosures related to the GRADD liability.)

Note 6. Long-term Debt

A. First Mortgage Revenue Bonds (Audubon Area Community Services Inc. Project), Series 2007

The Daviess County Public Improvement Corporation entered into a bond issue on December 28, 2007 to finance the acquisition, construction, installation and equipping of a facility to be leased to the Audubon Area Services, Inc., in the furtherance of its educational purposes, all to benefit of the residents of the county.

The Corporation and Audubon Area Community Services, Inc., have entered into a lease, dated December 1, 2007, whereby the Audubon Area Community Services, Inc., makes semi-annual payments directly to the Public Improvement Corporation to fully fund the debt service for the bond issue.

The bonds bear interest rates ranging from 4.75% to 4.8%. Interest on the bonds is payable each January 1 and July 1, beginning July 1, 2008. The bonds will mature as to principal on January 1, 2028. The principal amount of bonds outstanding as of June 30, 2019 was \$3,230,000. Future principal and interest requirements are:

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement and Other Post-Employment Benefits (OPEB) (Continued)

Hazardous (continued)

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 evaluation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The County's contribution rate for hazardous employees was 35.34 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:

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Upon 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 Consumer Price Index.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement and Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage – Tier 1 (Continued)

Benefits are covered under KRS 161.714 with the 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, they 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 enacted, creating Tier 3 benefits for members.

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

Tier 2 members are covered by KRS 161.714 with exception of COLA and retiree 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, they 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 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.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 9. Employee Retirement and Other Post-Employment Benefits (OPEB) (Continued)

F. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuations 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 10. Deferred Compensation

The Daviess County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

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

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 11. Health Reimbursement Account/Flexible Spending Account

The Fiscal Court established a flexible spending account on January 1, 2012 to provide employees an additional health benefit. The County has contracted with Benefit Marketing Solutions (BMS), a third-party administrator, to administer the plan. The plan was amended January 1, 2014. The plan provides a debit card to eligible employees who waive insurance coverage, providing \$500 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds up to \$2,550 through payroll deduction. The balance of the plan is \$39,530, which is included in the Health Insurance Fund cash balance.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 11. Health Reimbursement Account/Flexible Spending Account (Continued)

During fiscal year 2016, the Fiscal Court established a Health Reimbursement Account. The Fiscal Court contributes \$1,000 on behalf of employees electing Employee Only status for coverage in the Core Plan and \$2,000 for all Family categories in the Core Plan, to a Health Reimbursement Account (HRA) for employees to offset the deductible of the Core Plan. (These amounts are prorated for new hires.) HRA credits can be used to reimburse expenses that count toward the calendar year deductible, co-insurance, co-pays, dental, and vision out-of-pocket expenses. HRA credits that remain at the end of the calendar year do not rollover. Any balance left in the HRA at the time an employee leaves employment with the Fiscal Court will belong to Daviess County Fiscal Court.

Note 12. Insurance

For the fiscal year ended June 30, 2019, Daviess County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 13. Self Insurance Fund

Daviess County Fiscal Court elected to begin a partially self-funded health insurance plan in April 2002. This partially self-funded insurance plan covers all employees and the County pays 85% of each employees benefits and the employees pay the remaining 15%. Daviess County elected to purchase a stop-loss insurance policy from Anthem to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for fiscal year ending June 30, 2019 were a credit of \$381,916. The second component is the claims cost, all of which Daviess County is responsible to pay as they incur. Once an individual exceeds \$100,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. Incurred claims for fiscal year ended June 30, 2019 were \$4,635,128. Daviess County Fiscal Court's contract with Anthem Blue Cross and Blue Shield has no terminal liability provision. The Court would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$503,448 as of June 30, 2019, which \$463,918 is related to the Self Insurance Fund and \$39,530 is related to the Flexible Spending Account.

Note 14. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Daviess County Fiscal Court's name as issuer, 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. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2019
(Continued)

Note 15. Jail Commissary Fund Beginning Balance Restatement

The Jail Commissary Fund had an ending cash balance of \$164,339 as of June 30, 2018. An inmate check in the amount of \$125 and a lost check in the amount of \$1 from the fiscal year ending 2018 were voided in the current year. As a result, the current year's beginning cash balance was restated to account for these checks.

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 19,529,000	\$ 19,529,000	\$ 20,533,180	\$ 1,004,180
In Lieu Tax Payments	1,500	1,500		(1,500)
Excess Fees	900,000	900,000	1,431,414	531,414
Licenses and Permits	189,500	189,500	192,827	3,327
Intergovernmental	3,609,400	3,609,400	3,393,171	(216,229)
Charges for Services	135,000	135,000	143,714	8,714
Miscellaneous	164,550	164,550	701,108	536,558
Interest	40,000	40,000	198,981	158,981
Total Receipts	<u>24,568,950</u>	<u>24,568,950</u>	<u>26,594,395</u>	<u>2,025,445</u>
DISBURSEMENTS				
General Government	8,340,118	8,642,878	7,615,939	1,026,939
Protection to Persons and Property	4,994,839	5,219,589	4,874,106	345,483
General Health and Sanitation	777,703	787,303	702,099	85,204
Social Services	436,175	450,876	334,696	116,180
Recreation and Culture	2,592,139	2,694,164	2,466,605	227,559
Airports	192,500	192,500	192,500	
Bus Services	200,000	222,000	221,369	631
Debt Service		200	197	3
Capital Projects	140,500	1,846,500	1,794,756	51,744
Administration	10,202,714	7,820,678	1,736,430	6,084,248
Total Disbursements	<u>27,876,688</u>	<u>27,876,688</u>	<u>19,938,697</u>	<u>7,937,991</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,307,738)</u>	<u>(3,307,738)</u>	<u>6,655,698</u>	<u>9,963,436</u>
Other Adjustments to Cash (Uses)				
KIA Loan Proceeds	1,169,634	1,169,634	421,922	(747,712)
Transfers From Other Funds	200,000	200,000		(200,000)
Transfers To Other Funds	(7,361,896)	(7,361,896)	(7,085,219)	276,677
Total Other Adjustments to Cash (Uses)	<u>(5,992,262)</u>	<u>(5,992,262)</u>	<u>(6,663,297)</u>	<u>(671,035)</u>
Net Change in Fund Balance	(9,300,000)	(9,300,000)	(7,599)	9,292,401
Fund Balance - Beginning	<u>9,300,000</u>	<u>9,300,000</u>	<u>12,730,902</u>	<u>3,430,902</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 12,723,303</u>	<u>\$ 12,723,303</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,844,065	\$ 2,844,065	\$ 1,997,753	\$ (846,312)
Miscellaneous	11,500	11,500	5,821	(5,679)
Interest	5,000	5,000	29,317	24,317
Total Receipts	<u>2,860,565</u>	<u>2,860,565</u>	<u>2,032,891</u>	<u>(827,674)</u>
DISBURSEMENTS				
Roads	5,685,121	5,685,121	5,204,076	481,045
Administration	1,000	1,000	(16,281)	17,281
Total Disbursements	<u>5,686,121</u>	<u>5,686,121</u>	<u>5,187,795</u>	<u>498,326</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,825,556)</u>	<u>(2,825,556)</u>	<u>(3,154,904)</u>	<u>(329,348)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,425,556	2,425,556	2,425,000	(556)
Total Other Adjustments to Cash (Uses)	<u>2,425,556</u>	<u>2,425,556</u>	<u>2,425,000</u>	<u>(556)</u>
Net Change in Fund Balance	(400,000)	(400,000)	(729,904)	(329,904)
Fund Balance Beginning	400,000	400,000	1,237,432	837,432
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 507,528</u>	<u>\$ 507,528</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 5,939,300	\$ 5,939,300	\$ 6,132,878	\$ 193,578
Charges for Services	260,000	260,000	326,883	66,883
Miscellaneous	523,800	523,800	667,148	143,348
Interest	10,000	10,000	20,486	10,486
Total Receipts	<u>6,733,100</u>	<u>6,733,100</u>	<u>7,147,395</u>	<u>414,295</u>
DISBURSEMENTS				
Protection to Persons and Property	8,582,440	8,589,940	8,073,961	515,979
Administration	26,000	18,500	388	18,112
Total Disbursements	<u>8,608,440</u>	<u>8,608,440</u>	<u>8,074,349</u>	<u>534,091</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(1,875,340)</u>	<u>(1,875,340)</u>	<u>(926,954)</u>	<u>948,386</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(375,000)	(375,000)	(372,000)	3,000
Transfers From Other Funds	1,250,340	1,250,340	1,250,000	(340)
Total Other Adjustments to Cash (Uses)	<u>875,340</u>	<u>875,340</u>	<u>878,000</u>	<u>2,660</u>
Net Change in Fund Balance	(1,000,000)	(1,000,000)	(48,954)	951,046
Fund Balance Beginning	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,013,207</u>	<u>13,207</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 964,253</u>	<u>\$ 964,253</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 530,000	\$ 530,000	\$ 337,265	\$ (192,735)
Interest	1,000	1,000	8,805	7,805
Total Receipts	<u>531,000</u>	<u>531,000</u>	<u>346,070</u>	<u>(184,930)</u>
DISBURSEMENTS				
General Government	202,000	167,000		167,000
Roads	330,000	365,000	352,552	12,448
Total Disbursements	<u>532,000</u>	<u>532,000</u>	<u>352,552</u>	<u>179,448</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(6,482)</u>	<u>(5,482)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,000	200,000		(200,000)
Transfers To Other Funds	<u>(200,000)</u>	<u>(200,000)</u>		<u>200,000</u>
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(1,000)	(1,000)	(6,482)	(5,482)
Fund Balance Beginning	<u>1,000</u>	<u>1,000</u>	<u>277,053</u>	<u>276,053</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 270,571</u>	<u>\$ 270,571</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

SOLID WASTE CONSTRUCTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,000	\$ 1,000	\$ 2,645	\$ 1,645
Total Receipts	1,000	1,000	2,645	1,645
DISBURSEMENTS				
General Health and Sanitation	241,000	241,000	1,550	239,450
Total Disbursements	241,000	241,000	1,550	239,450
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(240,000)	(240,000)	1,095	241,095
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	100,000	100,000		(100,000)
Total Other Adjustments to Cash (Uses)	100,000	100,000		(100,000)
Net Change in Fund Balance	(140,000)	(140,000)	1,095	141,095
Fund Balance Beginning	140,000	140,000	144,162	4,162
Fund Balance - Ending	\$	\$	\$ 145,257	\$ 145,257

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	SOLID WASTE OPERATING FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Intergovernmental	71,000	71,000	67,443	(3,557)
Charges for Services	8,185,000	8,185,000	9,144,923	959,923
Miscellaneous	80,000	80,000	410,866	330,866
Interest	7,000	7,000	85,170	78,170
Total Receipts	<u>8,344,000</u>	<u>8,344,000</u>	<u>9,708,402</u>	<u>1,364,402</u>
DISBURSEMENTS				
General Health and Sanitation	7,432,053	9,409,653	8,780,604	629,049
Administration	1,500	1,500	(13,989)	15,489
Total Disbursements	<u>7,433,553</u>	<u>9,411,153</u>	<u>8,766,615</u>	<u>644,538</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>910,447</u>	<u>(1,067,153)</u>	<u>941,787</u>	<u>2,008,940</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(288,000)	(288,000)	(107,600)	180,400
Total Other Adjustments to Cash (Uses)	<u>(288,000)</u>	<u>(288,000)</u>	<u>(107,600)</u>	<u>180,400</u>
Net Change in Fund Balance	622,447	(1,355,153)	834,187	2,189,340
Fund Balance Beginning	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,388,781</u>	<u>2,388,781</u>
Fund Balance - Ending	<u>\$ 2,622,447</u>	<u>\$ 644,847</u>	<u>\$ 5,222,968</u>	<u>\$ 4,578,121</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

	BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$		\$ 3,112	\$ 3,112
Interest		1,000	49,680	48,680
Total Receipts		<u>1,000</u>	<u>52,792</u>	<u>51,792</u>
DISBURSEMENTS				
Debt Service		3,959,000	3,301,266	657,734
Administration		3,000		3,000
Total Disbursements		<u>3,962,000</u>	<u>3,301,266</u>	<u>660,734</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(3,961,000)</u>	<u>(3,248,474)</u>	<u>712,526</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		3,761,000	3,782,219	21,219
Total Other Adjustments to Cash (Uses)		<u>3,761,000</u>	<u>3,782,219</u>	<u>21,219</u>
Net Change in Fund Balance		(200,000)	533,745	733,745
Fund Balance Beginning		200,000	2,445,997	2,245,997
Fund Balance - Ending	\$	<u>\$</u>	<u>\$ 2,979,742</u>	<u>\$ 2,979,742</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$		\$ 362,246	\$ 362,246
Interest		4,000	4,882	882
Total Receipts		4,000	367,128	363,128
DISBURSEMENTS				
General Government		1,004,000	50,000	954,000
Total Disbursements		1,004,000	50,000	954,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
		(1,000,000)	317,128	1,317,128
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		100,000		(100,000)
Total Other Adjustments to Cash (Uses)		100,000		(100,000)
Net Change in Fund Balance		(900,000)	317,128	1,217,128
Fund Balance Beginning		900,000	1,003,177	103,177
Fund Balance - Ending	\$	\$	\$ 1,320,305	\$ 1,320,305

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

SOLID WASTE DEBT SERVICE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 18	\$ 18
Total Receipts			18	18
DISBURSEMENTS				
Debt Service	1,000	1,000		1,000
Total Disbursements	1,000	1,000		1,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(1,000)	18	1,018
Net Change in Fund Balance	(1,000)	(1,000)	18	1,018
Fund Balance - Beginning	1,000	1,000	989	(11)
Fund Balance - Ending	\$	\$	\$ 1,007	\$ 1,007

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

SOLID WASTE CLOSURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 20,000	\$ 20,000	\$ 76,656	\$ 56,656
Total Receipts	<u>20,000</u>	<u>20,000</u>	<u>76,656</u>	<u>56,656</u>
DISBURSEMENTS				
General Health and Sanitation	675,000	675,000	404,720	270,280
Administration	3,953,000	3,953,000		3,953,000
Total Disbursements	<u>4,628,000</u>	<u>4,628,000</u>	<u>404,720</u>	<u>4,223,280</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,608,000)</u>	<u>(4,608,000)</u>	<u>(328,064)</u>	<u>4,279,936</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	158,000	158,000	107,600	(50,400)
Total Other Adjustments to Cash (Uses)	<u>158,000</u>	<u>158,000</u>	<u>107,600</u>	<u>(50,400)</u>
Net Change in Fund Balance	(4,450,000)	(4,450,000)	(220,464)	4,229,536
Fund Balance Beginning	<u>4,450,000</u>	<u>4,450,000</u>	<u>4,485,343</u>	<u>35,343</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 4,264,879</u>	<u>\$ 4,264,879</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019
(Continued)

SOLID WASTE POST CLOSURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 14,000	\$ 14,000	\$ 55,732	\$ 41,732
Total Receipts	14,000	14,000	55,732	41,732
DISBURSEMENTS				
Administration	3,069,000	3,069,000		3,069,000
Total Disbursements	3,069,000	3,069,000		3,069,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,055,000)	(3,055,000)	55,732	3,110,732
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	30,000	30,000		(30,000)
Total Other Adjustments to Cash (Uses)	30,000	30,000		(30,000)
Net Change in Fund Balance	(3,025,000)	(3,025,000)	55,732	3,080,732
Fund Balance Beginning	3,025,000	3,025,000	3,032,443	7,443
Fund Balance - Ending	\$	\$	\$ 3,088,175	\$ 3,088,175

See accompanying auditor's report and note to the supplementary information – regulatory basis

DAVIESS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2019

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.

DAVISS COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2019

DAVIESS COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2019

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 4,416,007	\$ 1,211,637	\$	\$ 5,627,644
Construction In Progress	432,985	702,135	(432,985)	702,135
Land Improvements	16,880,268	1,034,184		17,914,452
Buildings	36,578,333	545,376	(169,774)	36,953,935
Vehicles and Equipment	18,624,274	2,923,919	(1,225,655)	20,322,538
Jail Commissary	202,675			202,675
Infrastructure	118,023,584	1,111,019		119,134,603
Total Capital Assets	<u>\$ 195,158,126</u>	<u>\$ 7,528,270</u>	<u>\$ (1,828,414)</u>	<u>\$ 200,857,982</u>

See accompanying auditor's report and note to the supplementary information – regulatory basis

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

June 30, 2019

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	\$ 50,000	10-25
Buildings and Building Improvements	\$ 50,000	10-40
Vehicles and Equipment	\$ 15,000	5-10
Infrastructure	\$ 55,000	10-50

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2019

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Health and Human Resources</u>				
<i>Passed-Through State Department Cabinet for Families and Children</i>				
Program Name Child Support Enforcement	93.563	17000019731	\$ -	\$ 554,104
<u>Total U. S. Department of Health and Human Resources</u>			<u>\$ -</u>	<u>\$ 554,104</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Program Name Emergency Management Performance Grants	97.042	1700001447	\$ -	\$ 39,872
Program Name Emergency Management Performance Grants Special Project Award	97.042	1700001447 FYP 34441	-	18,500
			<u>\$</u>	<u>58,372</u>
<i>Passed-Through State Dept of Justice:</i>				
Program Name Hazard Mitigation Grant Program (HMGP)	97.039	1800000505	\$ -	\$ 812,672
<u>Total U. S. Department of Homeland Security</u>			<u>\$ -</u>	<u>\$ 871,044</u>
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through State Dept for Local Government:</i>				
Program Name CDBG Friendly Village Project	14.228	17005	\$ 330,724	\$ 340,724
<i>Passed-Through State Dept for Local Government:</i>				
Program Name CDBG Owensboro Regional Recovery	14.228	17005	\$ 190,000	\$ 200,000
<u>Total U. S. Department of Housing and Urban Development</u>			<u>\$ 520,724</u>	<u>\$ 540,724</u>
<u>U. S. Department of Justice</u>				
<i>Passed-Through State Dept of Justice:</i>				
Program Name Crime Victims Assistance VOCA	16.575	15CV17	\$ -	\$ 31,965
<u>Total U. S. Department of Justice</u>			<u>\$ -</u>	<u>\$ 31,965</u>
<i>Passed-Through State Dept for Local Government:</i>				
Program Name Highway Planning and Construction (Federal-Aid Highway Program) SAFETEA-LU Shared Use Path	20.205	140000354	\$ -	\$ 265,410
<u>Total U. S. Department of Federal Highways</u>			<u>\$ -</u>	<u>\$ 265,410</u>
Total Federal Awards			<u>\$ 520,724</u>	<u>\$ 2,263,247</u>

See Independent Auditor's Report.

DAVIESS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Daviess County, Kentucky under programs of the federal government for the year ended June 30, 2019. 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 Daviess County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Daviess 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.

Note 3. Indirect Cost Rate

Daviess County does not allocate indirect costs to federal grants. Daviess County did not use the 10-percent de minimis indirect cost rate.

**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***



The Honorable Al Mattingly Audit, Daviess County Judge/Executive
Members of the Daviess 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 Daviess County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Daviess County Fiscal Court's financial statement and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Daviess County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Daviess County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Daviess 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a significant deficiency.

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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 Daviess 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*.

Daviess County Fiscal Court's Response to Findings

Daviess County Fiscal Court's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Daviess County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of the financial statements 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,



MCM CPAs & Advisors LLP
December 17, 2019

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



The Honorable Al Mattingly Audit, Daviess County Judge/Executive
Members of the Daviess 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 Daviess 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 Daviess County Fiscal Court's major federal programs for the year ended June 30, 2019. The Daviess 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, contracts, and the terms and conditions of its federal awards applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Daviess 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 Daviess 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 Daviess County Fiscal Court's compliance.

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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, Daviess 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, 2019.

Report on Internal Control over Compliance

Management of the Daviess 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 Daviess 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 Daviess 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,



MCM CPAs & Advisors LLP
December 17, 2019

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

For The Year Ended June 30, 2019

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

Fiscal Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Type of auditor's report issued: *Unmodified opinion – regulatory basis; Adverse opinion – GAAP 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 not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" 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	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs : Unmodified		
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:

CFDA Number and Name of Federal Program or Cluster

93.563 Child Support Enforcement
14.228 Community Development Block Grant
97.039 Hazard Mitigation Grant

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

DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2019
(Continued)

Section II: Findings - Financial Statement Audit

Finding No: 2019-01 Schedule of Expenditures of Federal Awards – Significant Deficiency

Criteria:

Daviess County Fiscal Court is required by 2 CFR 200.510 to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by their financial statements which must include the total Federal awards expended.

Condition:

During our review of the SEFA, we noted that the SEFA was materially misstated. The Hazard Mitigation Program (CFDA 97.039) was understated by \$539,763 and the Child Support Enforcement Program (CFDA 93.563) was overstated by \$10,970.

Cause:

The SEFA was based on current year receipts rather than current year expenditures.

Effect:

Daviess County Fiscal Court was not in compliance with 2 CFR 200.510.

Recommendation:

We recommend that Daviess County Fiscal Court perform a review of all federal funds expended at year-end, prior to preparation of the SEFA to ensure the SEFA accurately reports all federal funds expended during the current period.

Corrective Action Plan:

Daviess County Fiscal Court has modified its procedures to utilize current year expenditures rather than receipts, to prepare the SEFA, and has communicated this change to applicable staff members.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

DAVISS COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2019**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
DAVISS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2019

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



County Judge/Executive



County Treasurer