

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

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

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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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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

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the Daviess County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Daviess County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "MCM CPAs & Advisors LLP". The signature is written in a cursive, stylized font.

MCM CPAs & Advisors LLP
December 17, 2019

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

| | Budgeted Funds | | |
|--|-------------------------|----------------------|----------------------|
| | General Fund | Road Fund | Jail Fund |
| RECEIPTS | | | |
| Taxes | \$ 20,533,180 | \$ | \$ |
| Excess Fees | 1,431,414 | | |
| Licenses and Permits | 192,827 | | |
| Intergovernmental | 3,393,171 | 1,997,753 | 6,132,878 |
| Charges for Services | 143,714 | | 326,883 |
| Miscellaneous | 701,108 | 5,821 | 667,148 |
| Interest | 198,981 | 29,317 | 20,486 |
| Total Receipts | 26,594,395 | 2,032,891 | 7,147,395 |
| DISBURSEMENTS | | | |
| General Government | 7,615,939 | | |
| Protection to Persons and Property | 4,874,106 | | 8,073,961 |
| General Health and Sanitation | 702,099 | | |
| Social Services | 334,696 | | |
| Recreation and Culture | 2,466,605 | | |
| Roads | | 5,204,076 | |
| Airports | 192,500 | | |
| Bus Services | 221,369 | | |
| Debt Service | 197 | | |
| Capital Projects | 1,794,756 | | |
| Administration | 1,736,430 | (16,281) | 388 |
| Total Disbursements | 19,938,697 | 5,187,795 | 8,074,349 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | 6,655,698 | (3,154,904) | (926,954) |
| Other Adjustments to Cash (Uses) | | | |
| KY Infrastructure Authority-loan only | 421,922 | | |
| Transfers From Other Funds | | 2,425,000 | 1,250,000 |
| Transfers To Other Funds | (7,085,219) | | (372,000) |
| Total Other Adjustments to Cash (Uses) | (6,663,297) | 2,425,000 | 878,000 |
| Net Change in Fund Balance | (7,599) | (729,904) | (48,954) |
| Fund Balance - Beginning (Restated) | 12,730,902 | 1,237,432 | 1,013,207 |
| Fund Balance - Ending | \$ 12,723,303 | \$ 507,528 | \$ 964,253 |
| Composition of Fund Balance | | | |
| Bank Balance | \$ 12,773,120 | \$ 512,278 | \$ 965,129 |
| Plus: Deposits In Transit | 93 | | |
| Less: Outstanding Checks | (49,910) | (4,750) | (876) |
| Fund Balance - Ending | \$ 12,723,303 | \$ 507,528 | \$ 964,253 |

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

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

| Budgeted Funds | | | | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Local | | | | |
| Government | Solid | Solid | | Economic |
| Economic | Waste | Waste | Bond | Development |
| Assistance | Construction | Operating | Fund | Fund |
| Fund | Fund | Fund | | |
| \$ | \$ | \$ | \$ | \$ |
| 337,265 | | 67,443 | | |
| | | 9,144,923 | | |
| | | 410,866 | 3,112 | 362,246 |
| 8,805 | 2,645 | 85,170 | 49,680 | 4,882 |
| <u>346,070</u> | <u>2,645</u> | <u>9,708,402</u> | <u>52,792</u> | <u>367,128</u> |
| | | | | 50,000 |
| | 1,550 | 8,780,604 | | |
| 352,552 | | | | |
| | | | 3,301,266 | |
| | | (13,989) | | |
| <u>352,552</u> | <u>1,550</u> | <u>8,766,615</u> | <u>3,301,266</u> | <u>50,000</u> |
| (6,482) | 1,095 | 941,787 | (3,248,474) | 317,128 |
| | | | 3,782,219 | |
| | | (107,600) | | |
| | | <u>(107,600)</u> | <u>3,782,219</u> | |
| (6,482) | 1,095 | 834,187 | 533,745 | 317,128 |
| 277,053 | 144,162 | 4,388,781 | 2,445,997 | 1,003,177 |
| <u>\$ 270,571</u> | <u>\$ 145,257</u> | <u>\$ 5,222,968</u> | <u>\$ 2,979,742</u> | <u>\$ 1,320,305</u> |
| \$ 270,571 | \$ 145,257 | \$ 5,242,821 | \$ 2,979,742 | \$ 1,320,305 |
| | | 3,159 | | |
| | | (23,012) | | |
| <u>\$ 270,571</u> | <u>\$ 145,257</u> | <u>\$ 5,222,968</u> | <u>\$ 2,979,742</u> | <u>\$ 1,320,305</u> |

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

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

| <u>Unbudgeted Funds</u> | | | <u>Internal Service Fund</u> |
|---|-------------------------------------|------------------------|-------------------------------------|
| <u>Public Improvement Corporation</u> | <u>Jail Commissary Fund</u> | <u>Total Funds</u> | <u>Heath Insurance Fund</u> |
| \$ | \$ | \$ 20,533,180 | \$ |
| | | 1,431,414 | |
| | | 192,827 | |
| 397,384 | 615,280 | 12,941,174 | |
| | | 9,615,520 | |
| | | 2,150,301 | 4,263,168 |
| 20,587 | 480 | 553,439 | 28 |
| <u>417,971</u> | <u>615,760</u> | <u>47,417,855</u> | <u>4,263,196</u> |
| | | 7,665,939 | |
| | | 12,948,067 | |
| | | 9,888,973 | 4,358,224 |
| | | 334,696 | |
| | | 2,466,605 | |
| | 541,659 | 6,098,287 | |
| | | 192,500 | |
| | | 221,369 | |
| 447,340 | | 3,748,803 | |
| | | 1,794,756 | |
| | | 1,706,548 | |
| <u>447,340</u> | <u>541,659</u> | <u>47,066,543</u> | <u>4,358,224</u> |
| <u>(29,369)</u> | <u>74,101</u> | <u>351,312</u> | <u>(95,028)</u> |
| | | 421,922 | |
| | | 7,564,819 | |
| | | (7,564,819) | |
| | | <u>421,922</u> | |
| (29,369) | 74,101 | 773,234 | (95,028) |
| 1,217,861 | 164,465 | 32,141,812 | 598,476 |
| <u>\$ 1,188,492</u> | <u>\$ 238,566</u> | <u>\$ 32,915,046</u> | <u>\$ 503,448</u> |
| \$ 1,188,492 | \$ 240,184 | \$ 32,991,960 | \$ 496,942 |
| | | 3,252 | 6,506 |
| | (1,618) | (80,166) | |
| <u>\$ 1,188,492</u> | <u>\$ 238,566</u> | <u>\$ 32,915,046</u> | <u>\$ 503,448</u> |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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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 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary 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 Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Improvement Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Daviess County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Daviess 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 Daviess County Fiscal Court.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

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

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

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Tax Abatements

In the current year, property taxes related to one entity were abated. The entity is eligible to receive this tax abatement under an industrial revenue bond agreement. The taxes are abated by a reduction of assessed value. There is no provision for recapture of abated taxes. Scott Paper Company (now Kimberly-Clark) committed to buy over 1,000 acres and build a \$500 million paper-making plant employing up to 550 people. For fiscal year ended June 30, 2019, property taxes totaling \$45,194 were abated. As part of the tax abatement agreement, the fiscal court committed to issuing the Industrial Revenue Bonds which allowed the property to be property-tax exempt.

In addition, occupational license taxes related to another entity were abated pursuant to KOC 220.24 (2013). The taxes are abated by a reduction of 0.35% in occupational license tax provided the entity. The entity is eligible to receive this tax abatement under the Kentucky Business Investments Program of the Kentucky Economic Development Finance Authority. There is no provision for recapture of abated taxes. Southern Star Central Gas Pipeline Inc. committed to build a \$6+ million employee excellence center and create an additional twenty jobs. For fiscal year ended June 30, 2019, \$5,755 in occupational license taxes were abated.

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

Note 2. Deposits

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

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2019, 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 2019:

| | General Fund | Jail Fund | Solid Waste Operating Fund | Total Transfers In |
|---------------------|---------------------|-------------------|----------------------------------|-----------------------|
| Road Fund | \$ 2,425,000 | \$ | \$ | \$ 2,425,000 |
| Jail Fund | 1,250,000 | | | 1,250,000 |
| Bond Fund | 3,410,219 | 372,000 | | 3,782,219 |
| Solid Waste Closure | | | 107,600 | 107,600 |
| Total Transfers Out | <u>\$ 7,085,219</u> | <u>\$ 372,000</u> | <u>\$ 107,600</u> | <u>\$ 7,564,819</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. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2019 was \$88,238.

Road Escrow Fund - This fund accounts for funds received from road bonds and held until the bonds are released. The balance in the Road Escrow Fund as of June 30, 2019 was \$193,627.

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:

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

Note 6. Long-term Debt (Continued)

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

| Fiscal Year Ended | Principal | Interest |
|-------------------|--------------|------------|
| June 30 | Principal | Interest |
| 2020 | \$ 295,000 | \$ 154,040 |
| 2021 | 310,000 | 140,027 |
| 2022 | 325,000 | 125,303 |
| 2023 | 340,000 | 109,865 |
| 2024 | 355,000 | 93,715 |
| 2025-2028 | 1,605,000 | 196,853 |
| Totals | \$ 3,230,000 | \$ 819,803 |

B. General Obligation Taxable General Obligation Build America, Recovery Zone Economic Development and General Obligation Refunding Bonds, Series 2010 (A,B,C)

The County of Daviess entered into a bond issue, County of Daviess, Kentucky Taxable General Obligation Build America Bonds, Taxable General Obligation Recovery Zone Economic Development Bonds and General Obligation Refunding Bonds, Series 2010 dated on January 12, 2010. The Tax-Exempt Bonds were being issued for the purpose of (i) refunding the outstanding principal amount of the County's General Obligation Public Project Bonds, Series 1999 (Solid Waste System Project) (the "Series 1999 Bonds"), the proceeds of which were used to finance improvements to the County's solid waste system (the "1999 Project"); and (ii) paying the costs of issuing the Tax-Exempt Bonds. The Taxable Bonds were issued for the purpose of (i) financing the acquisition, construction and installation of additional improvements to the County's solid waste system (the "Solid Waste Project"); (ii) financing the acquisition of real property and the construction, installation and equipping of a convention center (the "Convention Center Project," and together with the 1999 Project and the Solid Waste Project, the "Project"); and (iii) paying the costs of issuing the Taxable Bonds. The issue amount of the bonds was \$24,105,000. The Taxable Bonds were dated the date of delivery and bear interest at the rates set forth, payable semi-annually on February 1 and August 1, commencing August 1, 2010. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively. The Tax-Exempt Bonds bear interest at the rates set forth, payable semi-annually on April 1 and October 1, commencing April 1, 2010. The record dates for April 1 and October 1 interest payment dates shall be the preceding March 15 and September 15, respectively. Interest on the Build America Bonds range from 1.50% to 5.75%, interest on the Recovery Zone Economic Development Bonds is 5.80% and interest on the refunding bonds is 2.0%, the agreement is to be paid in full by April 1, 2030. The Landfill Refunding-(Part C) part of the bonds was paid off in fiscal year 2014. The Landfill construction and Convention Center Construction (Parts A-1 and A-2) were 100% refunded by the Series 2014 Refunding Bonds (See Note 6 (F)). The Convention Center Recovery (Part B) principal amount of bonds outstanding as of June 30, 2019 was \$980,000. Future principal and interest requirements are:

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

Note 6. Long-term Debt (Continued)

B. General Obligation Taxable General Obligation Build America, Recovery Zone Economic Development and General Obligation Refunding Bonds, Series 2010 (A,B,C) (Continued)

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------|-------------------|
| 2020 | \$ | \$ 56,840 |
| 2021 | | 56,840 |
| 2022 | | 56,840 |
| 2023 | | 56,840 |
| 2024 | | 56,840 |
| 2025-2029 | | 284,200 |
| 2030 | 980,000 | 56,840 |
| | <u>\$ 980,000</u> | <u>\$ 625,240</u> |

C. General Obligation Refunding Bonds, Series 2010D

The County of Daviess entered into a bond issue, County of Daviess, General Obligation Refunding Bonds, Series 2010D for the purpose of (i) refunding and retiring the County's Lease Agreement with the Kentucky Association of Counties Leasing Trust, dated as of November 25, 2008, the proceeds of which were used to finance the construction and renovation of the Western Kentucky University Administration and Education Building (the project); and (ii) paying the costs of issuing the Bonds. The aforementioned lease was paid in full.

The bonds bear interest varying from 1.25% to 3.625% and are payable semi-annually on April 1, and October 1. The principal outstanding as of June 30, 2019, was \$1,170,000. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|---------------------|------------------|
| 2020 | \$ 575,000 | \$ 30,553 |
| 2021 | 595,000 | 10,784 |
| | <u>\$ 1,170,000</u> | <u>\$ 41,337</u> |

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

Note 6. Long-term Debt (Continued)

D. General Obligation Refunding Bonds, Series 2012A

Daviess County Fiscal Court issued \$6,515,000 General Obligation Refunding Bonds, Series 2012 dated August 22, 2012 for the purpose of refunding and retiring a portion of the General Obligation Public Project Refunding and Improvement Bonds, Series 2003A. Principal payments are due each year on September 1, in amounts indicated below. The first principal payment was March 1, 2013. Interest rates ranging from 1.00% to 2.25% on the bonds is payable each March 1 and September 1, beginning March 1, 2013. The principal balance outstanding for the bond issue as of June 30, 2019 was \$4,400,000. Future debt service requirements are:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------|---------------------|-------------------|
| 2020 | \$ 400,000 | \$ 86,388 |
| 2021 | 410,000 | 78,287 |
| 2022 | 415,000 | 70,038 |
| 2023 | 425,000 | 61,638 |
| 2024 | 435,000 | 53,038 |
| 2025-2029 | <u>2,315,000</u> | <u>127,219</u> |
| | <u>\$ 4,400,000</u> | <u>\$ 476,608</u> |

E. General Obligation Refunding Bonds, Series 2012B

Daviess County Fiscal Court issued \$1,700,000 General Obligation Refunding Bonds, Series 2012 dated August 22, 2012 for the purpose of refunding and retiring a portion of the General Obligation Public Project Refunding and Improvement Bonds, Series 2003B. Principal payments are due each year on September 1, in amounts indicated below. The first principal payment started March 1, 2013. Interest rates ranging from 1.00% to 2.25% on the bonds is payable each March 1 and September 1, beginning March 1, 2013. The principal balance outstanding for the bond issue as of June 30, 2019 was \$1,145,000. Future debt service requirements are:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------|---------------------|-------------------|
| 2020 | \$ 105,000 | \$ 22,762 |
| 2021 | 105,000 | 20,663 |
| 2022 | 110,000 | 18,513 |
| 2023 | 110,000 | 16,313 |
| 2024 | 115,000 | 14,063 |
| 2025-2029 | <u>600,000</u> | <u>33,456</u> |
| | <u>\$ 1,145,000</u> | <u>\$ 125,770</u> |

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

Note 6. Long-term Debt (Continued)

F. General Obligation Refunding Bonds, Series 2014

The County of Daviess entered into a bond issue, \$15,045,000 General Obligation Refunding Bonds, Series 2014 on December 23, 2014. The Bonds are being issued for the purpose of: (i) refunding and retiring the County's Taxable General Obligation Build America Bonds, Series 2010 parts A-1 and A-2, dated as of January 29, 2010. The Bonds shall be dated their date of delivery and bear interest from their dated date which the interest rate is 5% per annum, payable semi-annually on February 1 and August 1, commencing February 1, 2015, calculated on the basis of a 360 day year with 30 day months. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively. The principal balance outstanding for the bond issue as of June 30, 2019 was \$7,305,000. Future debt service requirements are:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------|---------------------|---------------------|
| 2020 | \$ 1,445,000 | \$ 365,250 |
| 2021 | 1,520,000 | 293,000 |
| 2022 | 1,595,000 | 217,000 |
| 2023 | 1,675,000 | 137,250 |
| 2024 | <u>1,070,000</u> | <u>53,500</u> |
| | <u>\$ 7,305,000</u> | <u>\$ 1,066,000</u> |

G. 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 principal balance outstanding for the lease as of June 30, 2019 was \$633,180. Future debt service requirements are:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------|-------------------|-------------------|
| 2020 | \$ 47,380 | \$ 17,400 |
| 2021 | 48,716 | 16,064 |
| 2022 | 50,090 | 14,690 |
| 2023 | 51,502 | 13,278 |
| 2024 | 52,954 | 11,826 |
| 2025-2029 | 288,027 | 35,872 |
| 2030-2031 | <u>94,511</u> | <u>2,659</u> |
| | <u>\$ 633,180</u> | <u>\$ 111,789</u> |

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

Note 6. Long-term Debt (Continued)

H. Kentucky Infrastructure Authority Loan

The County of Daviess entered into an agreement with the Kentucky Infrastructure Authority (KIA) On July 1, 2018. The terms of this agreement authorized the Daviess County Fiscal Court to draw up to \$1,169,634 of KIA loan funds for the purpose of constructing a wastewater treatment project; one-half of the loan principal will be forgiven by KIA. The loan term is 20 years with a fixed interest rate of .25%. Full principal and interest payments commence within one year of initiation of operation, estimated to be December 1, 2020. Daviess County is required to fund a replacement reserve account in the amount of \$2,900 annually each December 1 until the balance reaches \$58,000; this account must be maintained for the life of the loan. During the fiscal year ended June 30, 2019, the Daviess County Fiscal Court drew \$421,922 in KIA loan funds of which \$210,922 will be repaid.

I. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|---------------------|----------------------|------------------------|
| General Obligation Bonds | \$ 980,000 | \$ | \$ | \$ 980,000 | \$ |
| Revenue Bonds | 3,510,000 | | 280,000 | 3,230,000 | 295,000 |
| Refunding Bonds | 16,455,000 | | 2,435,000 | 14,020,000 | 2,525,000 |
| Financing Obligations | 679,261 | | 46,081 | 633,180 | 47,380 |
| KIA Loan | | 210,922 | | 210,922 | |
| Long-term Liabilities | <u>\$ 21,624,261</u> | <u>\$ 210,922</u> | <u>\$ 2,761,081</u> | <u>\$ 19,074,102</u> | <u>\$ 2,867,380</u> |

Note 7. Landfill Closure and Post-Closure Costs

The County operates a landfill in West Daviess County, Kentucky. The County must comply with established state and federal landfill operating, closure, and post-closure procedures. The landfill opened in January 1996, with an estimated life of 21.67 years. The landfill was granted an expansion effective February 2004, which increased its estimated useful life to 50 years. As of January 24, 2019, the estimated remaining life of the landfill was 39 years. Estimated closure costs total \$7,479,355 and estimated post-closure care costs total \$3,032,726 or \$101,091 per year. Estimates are based upon 2019 projections; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Daviess County prepares required financial statements on the regulatory basis of accounting in accordance with the laws of Kentucky, therefore no liability has been recognized for the closure or post-closure costs. State and federal laws and regulations require for the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court reserves a portion of the landfill receipts for landfill closure and post-closure care. For every ton deposited into the County's contained landfill, \$1 is transferred from the Solid Waste Operating Fund into the Solid Waste Closure Fund and \$0.25 is transferred into the Solid Waste Post-Closure Fund. At June 30, 2019, the Solid Waste Closure Fund had a balance of \$4,264,879 and the Solid Waste Post-Closure Fund had a balance of \$3,088,175.

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

Note 8. Commitments and Contingencies

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the County's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the County cannot be made at this time.

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

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension, which covers all eligible full-time employees and provides for retirement, and death benefits to plan members. Benefit contributions and provisions are established by statute.

The County's contribution for FY 2017 was \$2,244,760, FY 2018 was \$2,448,974, and FY 2019 was \$2,852,494.

Nonhazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Directors based on an actuarial 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 member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The County's contribution rate for nonhazardous employees was 21.48 percent.

Hazardous

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

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 employers 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

DAVISS 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

DAVIESS 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

DAVIESS 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

DAVISS 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

DAVIESS 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 |
|--------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 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 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| 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.

DAVISS 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