

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

**For The Year Ended
June 30, 2020**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
DAVISS COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	10
BUDGETARY COMPARISON SCHEDULES.....	33
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	44
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	47
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	49
SCHEDULE OF CAPITAL ASSETS.....	53
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	54
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 <i>GOVERNMENT AUDITING STANDARDS</i>	57
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	67
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	
APPENDIX B: VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION	

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The 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, 2020, 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The 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 the Daviess County Fiscal Court as of June 30, 2020, 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, 2020, 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 and Other 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 and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) 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.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information (Continued)

The accompanying Budgetary Comparison Schedules 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daviess County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying Schedule of Findings and Questioned Costs included herein, which discusses the following report finding:

2020-001 The Daviess County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

April 6, 2021

DAVISS COUNTY OFFICIALS

For The Year Ended June 30, 2020

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
Jennifer Warren	Fiscal Court Clerk

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

For The Year Ended June 30, 2020

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

For The Year Ended June 30, 2020

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 22,106,553	\$	\$	\$
Excess Fees	1,084,653			
Licenses and Permits	194,561			
Intergovernmental	5,094,440	2,809,459	6,055,405	537,547
Charges for Services	298,752		315,894	
Miscellaneous	716,781	8,803	587,314	
Interest	123,159	17,217	14,520	7,082
Total Receipts	<u>29,618,899</u>	<u>2,835,479</u>	<u>6,973,133</u>	<u>544,629</u>
DISBURSEMENTS				
General Government	8,029,000			5,000
Protection to Persons and Property	5,125,268		8,482,099	
General Health and Sanitation	711,531			
Social Services	312,584			
Recreation and Culture	2,169,931			
Roads		6,066,889		369,625
Airports	192,500			
Bus Services	281,990			
Debt Service	518			
Capital Projects	1,798,638			
Administration	2,481,228	58,310	110,948	
Total Disbursements	<u>21,103,188</u>	<u>6,125,199</u>	<u>8,593,047</u>	<u>374,625</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>8,515,711</u>	<u>(3,289,720)</u>	<u>(1,619,914)</u>	<u>170,004</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	434,764			
Transfers From Other Funds		3,200,000	1,967,000	
Transfers To Other Funds	(9,142,264)		(370,000)	
Total Other Adjustments to Cash (Uses)	<u>(8,707,500)</u>	<u>3,200,000</u>	<u>1,597,000</u>	
Net Change in Fund Balance	(191,789)	(89,720)	(22,914)	170,004
Fund Balance - Beginning	12,723,303	507,528	964,253	270,571
Fund Balance - Ending	<u>\$ 12,531,514</u>	<u>\$ 417,808</u>	<u>\$ 941,339</u>	<u>\$ 440,575</u>
Composition of Fund Balance				
Bank Balance	\$ 13,263,716	\$ 688,140	\$ 1,198,341	\$ 440,575
Plus: Deposits In Transit	448			
Less: Outstanding Checks	(321,135)	(270,332)	(257,002)	
Less: Payroll Liabilities	(411,515)			
Fund Balance - Ending	<u>\$ 12,531,514</u>	<u>\$ 417,808</u>	<u>\$ 941,339</u>	<u>\$ 440,575</u>

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

DAVISS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(Continued)

Budgeted Funds						
Solid Waste Construction Fund	Solid Waste Operating Fund	Bond Fund	Economic Development Fund	Solid Waste Debt Service Fund	Solid Waste Closure Fund	Solid Waste Post-Closure Fund
\$	\$	\$	\$	\$	\$	\$
	72,367					
	8,707,158					
	43,894	2,580				
1,719	65,851	31,099	6,635	12	51,317	36,555
1,719	8,889,270	33,679	6,635	12	51,317	36,555
	8,046,888				17,337	
		4,208,573				
	68,231					
	8,115,119	4,208,573			17,337	
1,719	774,151	(4,174,894)	6,635	12	33,980	36,555
	(117,025)	4,345,264			117,025	
	(117,025)	4,345,264			117,025	
1,719	657,126	170,370	6,635	12	151,005	36,555
145,257	5,222,968	2,979,742	1,320,305	1,007	4,264,879	3,088,175
\$ 146,976	\$ 5,880,094	\$ 3,150,112	\$ 1,326,940	\$ 1,019	\$ 4,415,884	\$ 3,124,730
\$ 146,976	\$ 6,200,825	\$ 3,150,112	\$ 1,326,940	\$ 1,019	\$ 4,415,884	\$ 3,124,730
	2,637					
	(323,368)					
\$ 146,976	\$ 5,880,094	\$ 3,150,112	\$ 1,326,940	\$ 1,019	\$ 4,415,884	\$ 3,124,730

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

DAVISS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2020
(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>Health Insurance Fund</u>
RECEIPTS				
Taxes	\$	\$	\$ 22,106,553	\$
Excess Fees			1,084,653	
Licenses and Permits			194,561	
Intergovernmental	449,534		15,018,752	
Charges for Services			9,321,804	
Miscellaneous		671,938	2,031,310	2,504,512
Interest	14,109	708	369,983	22
Total Receipts	<u>463,643</u>	<u>672,646</u>	<u>50,127,616</u>	<u>2,504,534</u>
DISBURSEMENTS				
General Government			8,034,000	
Protection to Persons and Property		646,387	14,253,754	
General Health and Sanitation			8,775,756	2,734,302
Social Services			312,584	
Recreation and Culture			2,169,931	
Roads			6,436,514	
Airports			192,500	
Bus Services			281,990	
Debt Service	449,040		4,658,131	
Capital Projects			1,798,638	
Administration			2,718,717	
Total Disbursements	<u>449,040</u>	<u>646,387</u>	<u>49,632,515</u>	<u>2,734,302</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>14,603</u>	<u>26,259</u>	<u>495,101</u>	<u>(229,768)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			434,764	
Transfers From Other Funds			9,629,289	
Transfers To Other Funds			(9,629,289)	
Total Other Adjustments to Cash (Uses)			<u>434,764</u>	
Net Change in Fund Balance	14,603	26,259	929,865	(229,768)
Fund Balance - Beginning	1,188,492	238,566	32,915,046	503,448
Fund Balance - Ending	<u>\$ 1,203,095</u>	<u>\$ 264,825</u>	<u>\$ 33,844,911</u>	<u>\$ 273,680</u>
Composition of Fund Balance				
Bank Balance	\$ 1,203,095	\$ 264,912	\$ 35,425,265	\$ 273,680
Plus: Deposits In Transit			3,085	
Less: Outstanding Checks		(87)	(1,171,924)	
Less: Payroll Liabilities			(411,515)	
Fund Balance - Ending	<u>\$ 1,203,095</u>	<u>\$ 264,825</u>	<u>\$ 33,844,911</u>	<u>\$ 273,680</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	10
NOTE 2.	DEPOSITS	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	CUSTODIAL FUNDS	14
NOTE 5.	RECEIVABLES	15
NOTE 6.	LONG-TERM DEBT	16
NOTE 7.	LANDFILL CLOSURE AND POST-CLOSURE COSTS.....	23
NOTE 8.	COMMITMENTS AND CONTINGENCIES	23
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM	24
NOTE 10.	DEFERRED COMPENSATION.....	27
NOTE 11.	HEALTH REIMBURSEMENT ACCOUNT/FLEXIBLE SPENDING ACCOUNT	27
NOTE 12.	INSURANCE.....	28
NOTE 13.	SELF-INSURANCE FUND	28
NOTE 14.	SUBSEQUENT EVENTS	28
NOTE 15.	CONDUIT DEBT.....	29
NOTE 16.	TAX ABATEMENTS	29

**DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2020

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, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

Solid Waste Construction Fund - The primary purpose of this fund is to account for the construction activities of the landfill. The primary source 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 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.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

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

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

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 listed 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 the Daviess County Fiscal Court.

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

F. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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. Related Organizations, Joint Ventures, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on this criteria, the following are considered related organizations of the Daviess County Fiscal Court:

Owensboro-Daviess County Board of Health
 Regional Water Resource Agency (RWRA)
 West Daviess County Water District
 South East Daviess County Water District
 Ohio County Water District
 Daviess County Search and Rescue Team

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

Owensboro-Daviess County Regional Airport
 Paradise Industrial Park
 Green River Regional Industrial Development Authority (GRRIDA)
 Greater Owensboro Economic Development Corporation (GO-EDC)

Regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organizations but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility. Based on this criteria, the following are considered jointly governed organizations of the Daviess County Fiscal Court:

Owensboro Geographic Information Systems
 Greater Owensboro Convention and Business Bureau
 Owensboro Metropolitan Planning Commission (OMPC)

Note 2. Deposits

The fiscal court maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 2. Deposits (Continued)

In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the *DLG County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, 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 2020.

	General Fund	Jail Fund	Solid Waste Operating Fund	Total Transfers In
Road Fund	\$ 3,200,000	\$	\$	\$ 3,200,000
Jail Fund	1,967,000			1,967,000
Bond Fund	3,975,264	370,000		4,345,264
Solid Waste Closure Fund			117,025	117,025
Total Transfers Out	<u>\$ 9,142,264</u>	<u>\$ 370,000</u>	<u>\$ 117,025</u>	<u>\$ 9,629,289</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. Custodial Funds

- A. Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020, was \$75,433.

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, 2020, was \$195,178.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 4. Custodial Funds (Continued)

- B.** Private-purpose trust funds - are used to report all trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

The fiscal court has the following private purpose trust funds:

Carl Henry Animal Shelter Trust - The originally established trust agreement has expired; however, the fiscal court has continued to maintain the account and deposits donations and bequests into the account and follow basically the same restrictions of the original trust, using the funds for the benefit of the animals. The balance of the Carl Henry Animal Shelter Trust as of June 30, 2020, was \$230,038, these funds are maintained in the general fund.

Theodore Levy Trust - A court order released the county from the original obligations but said that any revenue from the sale of the land is to be placed in the Theodore Levy Trust and used for the purpose intended. Farm revenue of approximately \$40,000 annually is deposited into the Theodore Levy Trust and is spent on children programs such as, Boys and Girls Club, Wendall Foster Center, YMCA, etc. The balance of the Theodore Levy Trust as of June 30, 2020, was \$43,076, these funds are maintained in the general fund.

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. The receivable reflects the principal amount due from the AACSI of \$2,935,000 outstanding as of June 30, 2020. The amount receivable corresponds to the AACSI liability outstanding as of the end of the fiscal year. See Note 6.B.6. for disclosures related to the AACSI liability.

B. Green River Area Development District

Daviess County 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 \$585,800 outstanding as of June 30, 2020. The amount of the receivable corresponds to the GRADD liability outstanding as of the end of the fiscal year. See Note 6.A.1. for disclosures related to the GRADD liability.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Green River Area Development District

Daviess County 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 lease is secured by the GRADD building (the project).

Upon the occurrence of an event of default, and as long as the event of default is continuing, lessor may, at its option, exercise any one or more of the following remedies as to the project, to whichever the event of default pertains:

- (a) Declare an amount equal to all amounts then due under this lease and all remaining lease payments due during the current lease term to be immediately due and payable, but solely from the sources provided under the sublease;
- (b) Take immediate possession of the project;
- (c) Sell or lease the project or sublease it for the account of lessee and sublessee; and
- (d) Exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of this lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project.

The principal balance outstanding for the lease as of June 30, 2020, was \$585,800. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 48,716	\$ 16,064
2022	50,090	14,690
2023	51,502	13,278
2024	52,954	11,826
2025	54,447	10,332
2026-2030	296,148	27,751
2031	31,943	447
Totals	<u>\$ 585,800</u>	<u>\$ 94,388</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Kentucky Infrastructure Authority Loan

Daviess County 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 payment 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, 2020, the Daviess County Fiscal Court drew \$434,764 in KIA loan funds of which \$217,382 will be repaid. As of June 30, 2020, the Daviess County Fiscal Court had drawn a total of \$856,687 in KIA loan funds of which \$428,343 will be repaid.

Whenever any event of default has occurred and is continuing, the authority may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Declare all payment due hereunder, as set forth in the schedule of payments to be immediately due and payable.
- (b) Exercise all rights and remedies of the authority set forth in the act.
- (c) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this assistance agreement.
- (d) Submit a formal referral to the appropriate federal agency, as required by the federal agreement.

The principal balance outstanding for the lease as of June 30, 2020, was \$417,894. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 20,939	\$ 1,857
2022	20,991	1,763
2023	21,044	1,668
2024	21,096	1,573
2025	21,149	1,478
2026-2030	106,542	5,959
2031-2035	107,881	3,548
2036-2040	98,252	1,108
Totals	<u>\$ 417,894</u>	<u>\$ 18,954</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt

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

Daviess County 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.B.5.).

The Convention Center Recovery (Part B) principal amount of bonds outstanding as of June 30, 2020, was \$0.

2. General Obligation Refunding Bonds, Series 2010D

Daviess County 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 are general obligation of the county and the full faith, credit and taxing power of the county is irrevocably pledged to the payment of principal of and interest on the bonds when due. The basic security for the general obligation debt of the county, including the bonds, is the county's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. General Obligation Refunding Bonds, Series 2010D (Continued)

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, 2020, was \$595,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 595,000	\$ 10,784
Totals	<u>\$ 595,000</u>	<u>\$ 10,784</u>

3. General Obligation Refunding Bonds, Series 2012A

The 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 bonds are general obligation of the county and the full faith, credit and taxing power of the county is irrevocably pledged to the payment of principal of and interest on the bonds when due. The basic security for the general obligation debt of the county, including the bonds, is the county's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable.

The principal balance outstanding for the bond issue as of June 30, 2020, was \$4,000,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 410,000	\$ 78,288
2022	415,000	70,037
2023	425,000	61,637
2024	435,000	53,038
2025	445,000	44,238
2026-2029	<u>1,870,000</u>	<u>82,981</u>
Totals	<u>\$ 4,000,000</u>	<u>\$ 390,219</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. General Obligation Refunding Bonds, Series 2012B

The 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 bonds are general obligation of the county and the full faith, credit and taxing power of the county is irrevocably pledged to the payment of principal of and interest on the bonds when due. The basic security for the general obligation debt of the county, including the bonds, is the county's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable.

The principal balance outstanding for the bond issue as of June 30, 2020, was \$1,040,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 105,000	\$ 20,663
2022	110,000	18,513
2023	110,000	16,312
2024	115,000	14,062
2025	115,000	11,762
2026-2029	<u>485,000</u>	<u>21,694</u>
Totals	<u>\$ 1,040,000</u>	<u>\$ 103,006</u>

5. General Obligation Refunding Bonds, Series 2014

Daviess County 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 at the rates set forth on the cover hereof, 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 bonds are general obligation of the county and the full faith, credit and taxing power of the county is irrevocably pledged to the payment of principal of and interest on the bonds when due. The basic security for the general obligation debt of the county, including the bonds, is the county's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds as and when the same become due and payable.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

5. General Obligation Refunding Bonds, Series 2014 (Continued)

The principal balance outstanding for the bond issue as of June 30, 2020, was \$5,860,000. Future debt service requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
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>
Totals	<u>\$ 5,860,000</u>	<u>\$ 700,750</u>

6. 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 are secured by the mortgage and the receipts and revenues of the corporation derived under the lease. The mortgage imposes a foreclosable first mortgage lien on the administrative building leased to the Audubon Area Services, Inc.

Upon the occurrence of an event of default, and as long as the event of default is continuing, the corporation, or the trustee, as assignee of the corporation, may, at its option, exercise any one or more of the following remedies:

- (i) Declare an amount equal to principal amount of all outstanding bonds and all other amounts due or to become due under the lease, together with accrued interest thereon, to be immediately due and payable;
- (ii) Exercise any other right, remedy or privilege which may be available to it under applicable laws of the Commonwealth of Kentucky or any other applicable law or proceed by appropriate court action to enforce the terms of the lease or to recover damages for the breach of the lease or to rescind the lease.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

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

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, 2020, was \$2,935,000. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 310,000	\$ 140,028
2022	325,000	125,303
2023	340,000	109,865
2024	355,000	93,715
2025	375,000	76,852
2026-2028	<u>1,230,000</u>	<u>120,000</u>
Totals	<u>\$ 2,935,000</u>	<u>\$ 665,763</u>

C. Aggregate Debt Schedules

The amounts of required principal and interest payments on long-term obligations at June 30, 2020, were as follows:

Fiscal Year Ended June 30	Other Debt-Bonds		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 2,940,000	\$ 542,763	\$ 69,655	\$ 17,921
2022	2,445,000	430,853	71,081	16,453
2023	2,550,000	325,064	72,546	14,946
2024	1,975,000	214,315	74,050	13,399
2025	935,000	132,852	75,596	11,810
2026-2030	3,585,000	224,675	402,690	33,710
2031-2035			139,824	3,995
2036-2040			<u>98,252</u>	<u>1,108</u>
	<u>\$ 14,430,000</u>	<u>\$ 1,870,522</u>	<u>\$ 1,003,694</u>	<u>\$ 113,342</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 6. Long-term Debt (Continued)

D. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 15,000,000	\$	\$ 3,505,000	\$11,495,000	\$ 2,630,000
Revenue Bonds	3,230,000		295,000	2,935,000	310,000
Direct Borrowings and Direct Placements	844,141	217,382	57,829	1,003,694	69,655
Total Long-term Debt	<u>\$ 19,074,141</u>	<u>\$ 217,382</u>	<u>\$ 3,857,829</u>	<u>\$15,433,694</u>	<u>\$ 3,009,655</u>

The beginning balance for Direct Borrowing and Direct Placement has been restated by \$39 from the prior year due to a prior year error.

Note 7. Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Daviess County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste. As of June 30, 2020, county engineers estimate that \$12,484,379 will be required for landfill closure cost and for post-closure care liability. Approximately 4.3% of the landfill airspace capacity has been used as of June 30, 2020.

401 KAR 48:310 Section 2 and 3 requires the owner or operator of a landfill to have a detailed written estimate, in current dollars, the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan. Pursuant to the regulatory basis of accounting, as described in Note 1, no liability has been recognized on the financial statement for closure or post closure care costs. Daviess County must comply with established state and federal closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs total \$7,574,177, and the estimated thirty year post closure care costs total \$4,910,202. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation. The projected remaining life for the current permitted space is 33.8 years. No cost related to closure or post-closure care has been incurred to date. 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 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, 2020, the solid waste closure fund had a balance of \$4,415,884 and the solid waste post-closure fund had a balance \$3,124,730.

Note 8. Commitments and Contingencies

The county is involved in multiple lawsuits. 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.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 9. Employee Retirement System

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

The county's contribution for FY 2018 was \$2,448,974, FY 2019 was \$2,852,494, and FY 2020 was \$3,099,247.

Nonhazardous

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

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

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

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

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

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 9. Employee Retirement System (Continued)

Hazardous (Continued)

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

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

The county's contribution rate for hazardous employees was 39.58 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 a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 9. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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 percent. 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 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

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

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

Once members reach a minimum vesting period of 15 years, 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 percent. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent 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 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

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

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

F. Death Benefit

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

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 9. Employee Retirement System (Continued)

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 valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

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

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

Note 11. Health Reimbursement Account/Flexible Spending Account

The Daviess County Fiscal Court established a flexible spending account on January 1, 2012, to provide employees an additional health benefit. The county has contracted with Total Administrative Service Corporation (TASC), 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 \$59,476, which is included in the health insurance fund cash balance.

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 reimbursements 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 the Daviess County Fiscal Court.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

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

However, beginning on January 1, 2020, the county terminated their health reimbursement account and flexible spending account and joined the Kentucky Employees Health Plan (KEHP). The remaining balance of this plan will be used to pay run out claims.

Note 12. Insurance

For the fiscal year ended June 30, 2020, the Daviess County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 13. Self-Insurance Fund

The 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, 2020, were a credit of \$352,574. 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, 2020, were \$3,043,712. The 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 \$273,680 as of June 30, 2020, which \$214,204 is related to the self-insurance fund and \$59,476 is related to the flexible spending account.

In October 2019, the decision was made to move from a partially self-funded health insurance plan to the Kentucky State Employees Health Plan effective January 2020. The county continues to pay out runoff claims from the health insurance account. Once the last claim is paid the county will close the account.

Note 14. Subsequent Events

- A. On August 11, 2020, the Daviess County Fiscal Court issued General Obligation Bonds, Series 2020A, in the amount of \$5,500,000. The bonds are being issued to finance the costs of the acquisition, installation, and equipping of a public safety grade radio system. The bonds shall each be dated their date of initial issuance and delivery, or such other date as is determined in an award certificate accepting the bid of the purchaser thereof to be executed the county judge/executive or county treasurer and bear interest from the sale date of the bonds. Interest on the bonds shall be payable each June 1st and December 1st, commencing December 1, 2020, at the stated interest rate or rates on the principal amounts thereof, calculated on the basis of a 360 day year with 30-day months.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2020
(Continued)

Note 14. Subsequent Events (Continued)

- B. On August 31, 2020, the Daviess County Fiscal Court issued Industrial Building Revenue Refunding Bonds, Series 2020 (Audubon Area Community Services, Inc.), in the amount of \$1,793,856. The bonds were issued to refinance the outstanding First Mortgage Revenue Bonds (Audubon Area Community Services, Inc. Project), Series 2007.

Note 15. 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, 2020, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 16. 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, 2020, 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, 2020, \$13,366 in occupational license taxes were abated.

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2020

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 20,019,000	\$ 20,019,000	\$ 22,106,553	\$ 2,087,553
In Lieu Tax Payments	1,500	1,500		(1,500)
Excess Fees	900,000	900,000	1,084,653	184,653
Licenses and Permits	189,500	189,500	194,561	5,061
Intergovernmental	4,736,400	4,888,400	5,094,440	206,040
Charges for Services	135,000	135,000	298,752	163,752
Miscellaneous	344,550	354,550	716,781	362,231
Interest	40,000	40,000	123,159	83,159
Total Receipts	<u>26,365,950</u>	<u>26,527,950</u>	<u>29,618,899</u>	<u>3,090,949</u>
DISBURSEMENTS				
General Government	8,537,256	9,108,826	8,029,000	1,079,826
Protection to Persons and Property	5,472,702	5,546,952	5,125,268	421,684
General Health and Sanitation	811,324	818,324	711,531	106,793
Social Services	433,550	457,450	312,584	144,866
Recreation and Culture	2,561,913	2,773,213	2,169,931	603,282
Airports	192,500	192,500	192,500	
Bus Services	200,000	282,000	281,990	10
Debt Service	25,000	25,000	518	24,482
Capital Projects	320,500	1,808,500	1,798,638	9,862
Administration	8,708,405	6,412,385	2,481,228	3,931,157
Total Disbursements	<u>27,263,150</u>	<u>27,425,150</u>	<u>21,103,188</u>	<u>6,321,962</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(897,200)</u>	<u>(897,200)</u>	<u>8,515,711</u>	<u>9,412,911</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	889,000	889,000	434,764	(454,236)
Transfers From Other Funds	200,000	200,000		(200,000)
Transfers To Other Funds	(9,491,800)	(9,491,800)	(9,142,264)	349,536
Total Other Adjustments to Cash (Uses)	<u>(8,402,800)</u>	<u>(8,402,800)</u>	<u>(8,707,500)</u>	<u>(304,700)</u>
Net Change in Fund Balance	(9,300,000)	(9,300,000)	(191,789)	9,108,211
Fund Balance - Beginning	9,300,000	9,300,000	12,723,303	3,423,303
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,531,514</u>	<u>\$ 12,531,514</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,205,909	\$ 3,205,909	\$ 2,809,459	\$ (396,450)
Miscellaneous	11,500	11,500	8,803	(2,697)
Interest	10,000	10,000	17,217	7,217
Total Receipts	<u>3,227,409</u>	<u>3,227,409</u>	<u>2,835,479</u>	<u>(391,930)</u>
DISBURSEMENTS				
Roads	6,907,869	6,907,869	6,066,889	840,980
Administration	1,000	1,000	58,310	(57,310)
Total Disbursements	<u>6,908,869</u>	<u>6,908,869</u>	<u>6,125,199</u>	<u>783,670</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,681,460)</u>	<u>(3,681,460)</u>	<u>(3,289,720)</u>	<u>391,740</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,238,460	3,238,460	3,200,000	(38,460)
Total Other Adjustments to Cash (Uses)	<u>3,238,460</u>	<u>3,238,460</u>	<u>3,200,000</u>	<u>(38,460)</u>
Net Change in Fund Balance	(443,000)	(443,000)	(89,720)	353,280
Fund Balance - Beginning	<u>443,000</u>	<u>443,000</u>	<u>507,528</u>	<u>64,528</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 417,808</u>	<u>\$ 417,808</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 6,021,000	\$ 6,021,000	\$ 6,055,405	\$ 34,405
Charges for Services	270,000	270,000	315,894	45,894
Miscellaneous	613,800	613,800	587,314	(26,486)
Interest	10,000	10,000	14,520	4,520
Total Receipts	<u>6,914,800</u>	<u>6,914,800</u>	<u>6,973,133</u>	<u>58,333</u>
DISBURSEMENTS				
Protection to Persons and Property	8,981,140	8,981,140	8,482,099	499,041
Administration	26,000	26,000	110,948	(84,948)
Total Disbursements	<u>9,007,140</u>	<u>9,007,140</u>	<u>8,593,047</u>	<u>414,093</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,092,340)</u>	<u>(2,092,340)</u>	<u>(1,619,914)</u>	<u>472,426</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,967,340	1,967,340	1,967,000	(340)
Transfers To Other Funds	<u>(375,000)</u>	<u>(375,000)</u>	<u>(370,000)</u>	<u>5,000</u>
Total Other Adjustments to Cash (Uses)	<u>1,592,340</u>	<u>1,592,340</u>	<u>1,597,000</u>	<u>4,660</u>
Net Change in Fund Balance	(500,000)	(500,000)	(22,914)	477,086
Fund Balance - Beginning	<u>500,000</u>	<u>500,000</u>	<u>964,253</u>	<u>464,253</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 941,339</u>	<u>\$ 941,339</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 370,000	\$ 370,000	\$ 537,547	\$ 167,547
Interest	1,000	1,000	7,082	6,082
Total Receipts	<u>371,000</u>	<u>371,000</u>	<u>544,629</u>	<u>173,629</u>
DISBURSEMENTS				
General Government	101,000	101,000	5,000	96,000
Roads	370,000	370,000	369,625	375
Total Disbursements	<u>471,000</u>	<u>471,000</u>	<u>374,625</u>	<u>96,375</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>170,004</u>	<u>270,004</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	200,000	200,000		(200,000)
Transfers To Other Funds	(200,000)	(200,000)		200,000
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(100,000)	(100,000)	170,004	270,004
Fund Balance - Beginning	<u>100,000</u>	<u>100,000</u>	<u>270,571</u>	<u>170,571</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 440,575</u>	<u>\$ 440,575</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(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	\$ 1,719	\$ 719
Total Receipts	<u>1,000</u>	<u>1,000</u>	<u>1,719</u>	<u>719</u>
DISBURSEMENTS				
General Health and Sanitation	441,000	441,000		441,000
Total Disbursements	<u>441,000</u>	<u>441,000</u>		<u>441,000</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(440,000)</u>	<u>(440,000)</u>	<u>1,719</u>	<u>441,719</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	300,000	300,000		(300,000)
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>		<u>(300,000)</u>
Net Change in Fund Balance	(140,000)	(140,000)	1,719	141,719
Fund Balance - Beginning	140,000	140,000	145,257	5,257
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,976</u>	<u>\$ 146,976</u>

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(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	72,367	1,367
Charges for Services	8,195,000	8,195,000	8,707,158	512,158
Miscellaneous	80,000	80,000	43,894	(36,106)
Interest	45,000	45,000	65,851	20,851
Total Receipts	<u>8,392,000</u>	<u>8,392,000</u>	<u>8,889,270</u>	<u>497,270</u>
DISBURSEMENTS				
General Health and Sanitation	7,952,980	8,919,950	8,046,888	873,062
Administration	3,951,020	2,984,050	68,231	2,915,819
Total Disbursements	<u>11,904,000</u>	<u>11,904,000</u>	<u>8,115,119</u>	<u>3,788,881</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,512,000)</u>	<u>(3,512,000)</u>	<u>774,151</u>	<u>4,286,151</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(488,000)</u>	<u>(488,000)</u>	<u>(117,025)</u>	<u>370,975</u>
Total Other Adjustments to Cash (Uses)	<u>(488,000)</u>	<u>(488,000)</u>	<u>(117,025)</u>	<u>370,975</u>
Net Change in Fund Balance	(4,000,000)	(4,000,000)	657,126	4,657,126
Fund Balance - Beginning	4,000,000	4,000,000	5,222,968	1,222,968
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,880,094</u>	<u>\$ 5,880,094</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

	BOND FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$		\$ 2,580	\$ 2,580
Interest		1,000	31,099	30,099
Total Receipts		<u>1,000</u>	<u>33,679</u>	<u>32,679</u>
DISBURSEMENTS				
Debt Service		4,921,000	4,208,573	712,427
Administration		3,000	3,000	3,000
Total Disbursements		<u>4,924,000</u>	<u>4,208,573</u>	<u>715,427</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(4,923,000)</u>	<u>(4,174,894)</u>	<u>748,106</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		4,361,000	4,345,264	(15,736)
Total Other Adjustments to Cash (Uses)		<u>4,361,000</u>	<u>4,345,264</u>	<u>(15,736)</u>
Net Change in Fund Balance		(562,000)	170,370	732,370
Fund Balance - Beginning		<u>562,000</u>	<u>2,979,742</u>	<u>2,417,742</u>
Fund Balance - Ending	\$	<u>0</u>	\$ 3,150,112	\$ 3,150,112

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 4,000	\$ 4,000	\$ 6,635	\$ 2,635
Total Receipts	4,000	4,000	6,635	2,635
DISBURSEMENTS				
General Government	1,004,000	1,004,000		1,004,000
Total Disbursements	1,004,000	1,004,000		1,004,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000,000)	(1,000,000)	6,635	1,006,635
Other Adjustments to Cash (Uses)				
Transfers From 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	(900,000)	(900,000)	6,635	906,635
Fund Balance - Beginning	900,000	900,000	1,320,305	420,305
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,326,940	\$ 1,326,940

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

SOLID WASTE DEBT SERVICE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 12	\$ 12
Total Receipts			12	12
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)	12	1,012
Net Change in Fund Balance	(1,000)	(1,000)	12	1,012
Fund Balance - Beginning	1,000	1,000	1,007	7
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,019	\$ 1,019

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

SOLID WASTE CLOSURE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 40,000	\$ 40,000	\$ 51,317	\$ 11,317
Total Receipts	40,000	40,000	51,317	11,317
DISBURSEMENTS				
General Health and Sanitation	925,000	925,000	17,337	907,663
Administration	3,373,000	3,373,000		3,373,000
Total Disbursements	4,298,000	4,298,000	17,337	4,280,663
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,258,000)	(4,258,000)	33,980	4,291,980
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	158,000	158,000	117,025	(40,975)
Total Other Adjustments to Cash (Uses)	158,000	158,000	117,025	(40,975)
Net Change in Fund Balance	(4,100,000)	(4,100,000)	151,005	4,251,005
Fund Balance - Beginning	4,100,000	4,100,000	4,264,879	164,879
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,415,884	\$ 4,415,884

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2020
(Continued)

SOLID WASTE POST-CLOSURE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 30,000	\$ 30,000	\$ 36,555	\$ 6,555
Total Receipts	30,000	30,000	36,555	6,555
DISBURSEMENTS				
Administration	3,120,000	3,120,000		3,120,000
Total Disbursements	3,120,000	3,120,000		3,120,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,090,000)	(3,090,000)	36,555	3,126,555
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	(3,060,000)	(3,060,000)	36,555	3,096,555
Fund Balance - Beginning	3,060,000	3,060,000	3,088,175	28,175
Fund Balance - Ending	\$ 0	\$ 0	\$ 3,124,730	\$ 3,124,730

DAVIESS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2020

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.

Note 2. Excess of Disbursements Over Appropriations

Road fund, administration line item, exceeded budgeted appropriations by \$57,310.

Jail fund, administration line item, exceeded budgeted appropriations by \$84,948.

**DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2020

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>				
Child Support Enforcement	93.563	1900002095	\$ _____	\$ 486,841
Total U. S. Department of Health and Human Resources			_____	486,841
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs:</i>				
Emergency Management Performance Grants	97.042	1900000978	\$ _____	\$ 29,316
<i>Passed-Through Kentucky Emergency Management:</i>				
Pre-Disaster Mitigation (PDM)	97.047	1900004871	71,132	71,132
Total U. S. Department of Homeland Security			71,132	100,448
<u>U. S. Department of Justice</u>				
<i>Passed-Through State Department of Justice:</i>				
Crime Victim Assistance (VOCA)	16.575	00027	\$ _____	\$ 29,967
Total U. S. Department of Justice			_____	29,967
<u>U. S. Department of Housing and Urban Development</u>				
<i>Passed-Through State Department for Local Government:</i>				
Community Development Block Grants/State's Program -				
Owensboro Regional Recovery	14.228	19002	\$ 190,000	\$ 190,000
Friendly Village Project	14.228	17018	515,964	515,964
Total U. S. Department of Housing and Urban Development			705,964	705,964
<u>U. S. Environmental Protection Agency</u>				
<i>Passed-Through Kentucky Infrastructure Authority:</i>				
Clean Water State Revolving Fund Cluster -				
Capitalization Grants for Clean Water State Revolving Funds	66.458	A17-014	\$ 82,282	\$ 82,282
Total Clean Water State Revolving Fund Cluster			82,282	82,282
Total U. S. Environmental Protection Agency			82,282	82,282

The accompanying notes are an integral part of this schedule.

DAVIESS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2020
(Continued)

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 the Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government:</i>				
COVID-19-Coronavirus Relief Fund (CRF)	21.019	2100000496	\$	\$1,456,424
Total U. S. Department of the Treasury				<u>1,456,424</u>
Total Expenditures of Federal Awards			\$ 859,378	<u>\$2,861,926</u>

The accompanying notes are an integral part of this schedule.

DAVISS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Daviess County, Kentucky under programs of the federal government for the year ended June 30, 2020. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Daviess County has not adopted an indirect cost rate and has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

THIS PAGE LEFT BLANK INTENTIONALLY

**DAVIESS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

DAVIESS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2020

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Buildings	\$ 36,953,935	\$ 1,547,307	\$	\$ 38,501,242
Land	5,627,644	15,000		5,642,644
Land Improvements	17,914,452	51,608		17,966,060
Construction In Progress	702,135		702,135	
Vehicles and Equipment	20,322,538	2,760,481	925,281	22,157,738
Jail Commissary	202,675	102,875	7,893	297,657
Infrastructure	119,134,603	1,623,182		120,757,785
 Total Capital Assets	 <u>\$ 200,857,982</u>	 <u>\$ 6,100,453</u>	 <u>\$ 1,635,309</u>	 <u>\$ 205,323,126</u>

DAVIESS COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2020

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, 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, 2020 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 April 6, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 6, 2021

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

THIS PAGE LEFT BLANK INTENTIONALLY



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, 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 *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, 2020. 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, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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.



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

Opinion on Each Major Federal Program

In our opinion, the 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The Daviess County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Daviess County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 to determine the auditing 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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

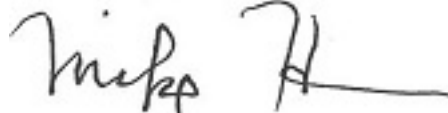
Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

The Daviess County Fiscal Court's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Daviess County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

April 6, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2020

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.019	Coronavirus Relief Fund

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

DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section II: Financial Statement Findings

None noted.

Section III: Federal Award Findings And Questioned Costs

2020-001 The Daviess County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Federal Program: 21.109 COVID-19-Coronavirus Relief Fund
Award Number and Year: 2100000496, 2020 Reimbursement #1
Name of Federal Agency: U.S. Department of the Treasury
Pass-Through Agency: Commonwealth of Kentucky, Department of Local Government
Compliance Requirements: Activities Allowed/Unallowed, Period of Performance,
Type of Finding: Significant Deficiency
Amount of Questioned Costs: \$45,356

The Daviess County Fiscal Court submitted payroll expenses incurred prior to March 1, 2020, for reimbursement from the Coronavirus Relief Fund (The Fund) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). The ineligible expense was for the county's fire department's payroll that was paid on March 12, 2020. The payroll submission causing questioned costs ran from February 23, 2020 through March 6, 2020, which included seven days outside the CRF's prescribed period of performance.

Questioned costs were computed based on the cost of the county's fire department's payroll for the period of February 23, 2020 through February 28, 2020, which were included in the March 12, 2020 payroll submission. The amount of the county fire department's gross payroll for the days in February being questioned is \$45,356.

According to the assistant county treasurer, guidance provided to the county on DLG's Coronavirus Relief Fund application for funding stated "A cost is "incurred" when the responsible unit of government has expended funds to cover the cost." Based on that guidance, the county thought that since the pay period was paid on March 12, 2020, the payroll would have been incurred during the grant's period of performance and therefore allowed to be submitted for reimbursement.

As a result, the county submitted a pay period for reimbursement that included the days worked on February 23-29, 2020, which was outside the grant's period of performance. This resulted in \$45,356 of questioned costs.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section III: Federal Award Findings And Questioned Costs

2020-001 The Daviess County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund (Continued)

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred).”

Additionally, CFR 200.303 states: “The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

We recommend the Daviess County Fiscal Court contact DLG for guidance on how to resolve this issue. We also recommend the Daviess County Fiscal Court strengthen internal controls over federal awards by implementing review processes to catch and resolve these matters going forward.

Views of Responsible Official and Planned Corrective Action:

Daviess County Fiscal Court (DCFC) worked with the Department of Local Government (DLG) and believed that its initial filing complied with all Federal and State requirements. Upon learning that one of the payroll amounts was being questioned and deemed ineligible, DCFC worked with DLG and filed an amended application which substituted eligible payroll amounts. The issue is resolved and DCFC is not required to return any of the reimbursement.

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2020
(Continued)

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2019-001	Schedule of Expenditures of Federal Awards – Significant Deficiency	Resolved	N/A

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

DAVISS COUNTY FISCAL COURT

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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

THIS PAGE LEFT BLANK INTENTIONALLY

**VIEWS OF RESPONSIBLE OFFICIALS
AND PLANNED CORRECTIVE ACTION**

DAVISS COUNTY FISCAL COURT

For The Year Ended June 30, 2020

THIS PAGE LEFT BLANK INTENTIONALLY



Daviness County Fiscal Court

COUNTY JUDGE/EXECUTIVE
Al Mattingly

COUNTY ATTORNEY
Claud Porter

Daviness County Courthouse
P.O. Box 1716
Owensboro, Kentucky 42302-1716
Telephone: (270) 685-8424
Fax: (270) 685-8469
www.davinessky.org

COUNTY COMMISSIONERS
Charlie Castlen – Central Division
Mike Koger – Eastern Division
George Wathen – Western Division

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION For the Fiscal Year Ended June 30, 2020

I acknowledge responsibility for the following views and responses for planned corrective actions. I understand these responses will be attributed to me in the audit report.



County Judge/Executive

Views of Responsible Official and Planned Corrective Action For Exit Finding #2020-001 The Daviness County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund

Prepared by: Jim Hendrix, Treasurer

Date Prepared: April 6, 2021

Person Responsible for Corrective Action Plan: Jim Hendrix, Treasurer

Anticipated Completion Date: Completed

Official's Response: Daviness County Fiscal Court (DCFC) worked with the Department of Local Government (DLG) and believed that its initial filing complied with all Federal and State requirements. Upon learning that one of the payroll amounts was being questioned and deemed ineligible, DCFC worked with DLG and filed an amended application which substituted eligible payroll amounts. The issue is resolved and DCFC is not required to return any of the reimbursement.