

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

**For The Year Ended
June 30, 2022**

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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

Opinions

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, 2022 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.

Unmodified 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, 2022, 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.

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, 2022, or changes in financial position or cash flows thereof for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Fiscal Court Audit Guide issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Daviess County Fiscal court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 and pervasive.

Responsibilities of Management for the Financial Statement

Daviess County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Daviess County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Daviess County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Daviess County Fiscal Court. The Budgetary Comparison Schedules 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) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and 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.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the schedule of capital assets but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, 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 effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daviess County Fiscal Court's internal control over financial reporting and compliance.

Respectfully submitted,



Lexington, Kentucky
 December 9, 2022

DAVIESS COUNTY OFFICIALS

For The Year Ended June 30, 2022

Fiscal Court Members:

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

Other Elected Officials:

| | |
|-------------------|----------------------------------|
| Claud Porter | County Attorney |
| Arthur Maglinger | Jailer |
| Leslie McCarty | County Clerk |
| Jennifer Besecker | Circuit Court Clerk |
| Barry Smith | 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, 2022

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

For The Year Ended June 30, 2022

| | Budgeted Funds | | | Local Government Economic Assistance Fund |
|--|-------------------------|----------------------|----------------------|--|
| | General Fund | Road Fund | Jail Fund | |
| RECEIPTS | | | | |
| Taxes | \$ 27,845,800 | \$ | \$ | \$ |
| Excess Fees | 1,321,367 | | | |
| Licenses and Permits | 197,728 | | | |
| Intergovernmental | 15,238,275 | 2,362,309 | 5,000,809 | 401,702 |
| Charges for Services | 207,814 | | 403,738 | |
| Miscellaneous | 953,275 | 10,491 | 627,043 | |
| Interest | 114,949 | 13,451 | 11,367 | 2,968 |
| Total Receipts | <u>45,879,208</u> | <u>2,386,251</u> | <u>6,042,957</u> | <u>404,670</u> |
| DISBURSEMENTS | | | | |
| General Government | 8,561,782 | | | |
| Protection to Persons and Property | 5,122,273 | | 8,255,974 | |
| General Health and Sanitation | 1,601,606 | | | |
| Social Services | 335,516 | | | |
| Recreation and Culture | 2,788,073 | | | |
| Roads | | 4,975,928 | | 615,399 |
| Airports | 100,000 | | | |
| Bus Services | 266,027 | | | |
| Debt Service | 22,754 | | | |
| Capital Projects | 406,182 | | | |
| Administration | 3,175,629 | (48,399) | (94,105) | |
| Total Disbursements | <u>22,379,842</u> | <u>4,927,529</u> | <u>8,161,869</u> | <u>615,399</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>23,499,366</u> | <u>(2,541,278)</u> | <u>(2,118,912)</u> | <u>(210,729)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 4,055,178 | 3,470,000 | 2,300,000 | |
| Transfers To Other Funds | (18,480,227) | | (369,000) | |
| Total Other Adjustments to Cash (Uses) | <u>(14,425,049)</u> | <u>3,470,000</u> | <u>1,931,000</u> | |
| Net Change in Fund Balance | 9,074,317 | 928,722 | (187,912) | (210,729) |
| Fund Balance - Beginning | 19,866,408 | 1,046,678 | 1,932,592 | 594,689 |
| Fund Balance - Ending | <u>\$ 28,940,725</u> | <u>\$ 1,975,400</u> | <u>\$ 1,744,680</u> | <u>\$ 383,960</u> |
| Composition of Fund Balance | | | | |
| Bank Balance | \$ 29,012,349 | \$ 1,978,024 | \$ 1,761,533 | \$ 383,960 |
| Plus: Deposits In Transit | 90 | | | |
| Less: Outstanding Checks | (71,714) | (2,624) | (16,853) | |
| Fund Balance - Ending | <u>\$ 28,940,725</u> | <u>\$ 1,975,400</u> | <u>\$ 1,744,680</u> | <u>\$ 383,960</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, 2022
(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 | ARPA Fund |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| | 360,906 | | | | | | |
| | 10,366,114 | | | | | | |
| | 461,022 | 8 | 327,363 | | | | |
| 3,253 | 42,632 | 22,460 | 6,890 | 20 | 23,929 | 17,039 | 51,371 |
| <u>3,253</u> | <u>11,230,674</u> | <u>22,468</u> | <u>334,253</u> | <u>20</u> | <u>23,929</u> | <u>17,039</u> | <u>51,371</u> |
| | | | 10,000 | | | | |
| 279,465 | 9,163,571 | | | | 21,383 | | |
| | | 3,307,250 | | 15 | | | |
| | (82,146) | | | | | | |
| <u>279,465</u> | <u>9,081,425</u> | <u>3,307,250</u> | <u>10,000</u> | <u>15</u> | <u>21,383</u> | | |
| (276,212) | 2,149,249 | (3,284,782) | 324,253 | 5 | 2,546 | 17,039 | 51,371 |
| 852,000 | | 3,220,566 | | | 204,665 | 40,741 | 9,858,661 |
| | (1,097,406) | | | | | | (4,055,178) |
| <u>852,000</u> | <u>(1,097,406)</u> | <u>3,220,566</u> | | | <u>204,665</u> | <u>40,741</u> | <u>5,803,483</u> |
| 575,788 | 1,051,843 | (64,216) | 324,253 | 5 | 207,211 | 57,780 | 5,854,854 |
| 234,562 | 7,503,516 | 3,895,253 | 1,345,054 | 1,024 | 4,461,589 | 3,192,492 | 9,863,793 |
| <u>\$ 810,350</u> | <u>\$ 8,555,359</u> | <u>\$ 3,831,037</u> | <u>\$ 1,669,307</u> | <u>\$ 1,029</u> | <u>\$ 4,668,800</u> | <u>\$ 3,250,272</u> | <u>\$ 15,718,647</u> |
| \$ 810,350 | \$ 8,555,959 | \$ 3,831,037 | \$ 1,669,307 | \$ 1,029 | \$ 4,668,800 | \$ 3,250,272 | \$ 15,718,647 |
| | 4,858 | | | | | | |
| | (5,458) | | | | | | |
| <u>\$ 810,350</u> | <u>\$ 8,555,359</u> | <u>\$ 3,831,037</u> | <u>\$ 1,669,307</u> | <u>\$ 1,029</u> | <u>\$ 4,668,800</u> | <u>\$ 3,250,272</u> | <u>\$ 15,718,647</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, 2022
(Continued)

| | <u>Unbudgeted Funds</u> | | <u>Internal Service Fund</u> |
|--|-----------------------------|----------------------|------------------------------|
| | <u>Jail Commissary Fund</u> | <u>Total Funds</u> | <u>Heath Insurance Fund</u> |
| RECEIPTS | | | |
| Taxes | \$ | \$ 27,845,800 | \$ |
| Excess Fees | | 1,321,367 | |
| Licenses and Permits | | 197,728 | |
| Intergovernmental | | 23,364,001 | |
| Charges for Services | | 10,977,666 | |
| Miscellaneous | 642,449 | 3,021,651 | |
| Interest | 1,108 | 311,437 | 6 |
| Total Receipts | <u>643,557</u> | <u>67,039,650</u> | <u>6</u> |
| DISBURSEMENTS | | | |
| General Government | | 8,571,782 | |
| Protection to Persons and Property | 689,399 | 14,067,646 | |
| General Health and Sanitation | | 11,066,025 | 273,083 |
| Social Services | | 335,516 | |
| Recreation and Culture | | 2,788,073 | |
| Roads | | 5,591,327 | |
| Airports | | 100,000 | |
| Bus Services | | 266,027 | |
| Debt Service | | 3,330,019 | |
| Capital Projects | | 406,182 | |
| Administration | | 2,950,979 | |
| Total Disbursements | <u>689,399</u> | <u>49,473,576</u> | <u>273,083</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(45,842)</u> | <u>17,566,074</u> | <u>(273,077)</u> |
| Other Adjustments to Cash (Uses) | | | |
| Transfers From Other Funds | | 24,001,811 | |
| Transfers To Other Funds | | (24,001,811) | |
| Total Other Adjustments to Cash (Uses) | | | |
| Net Change in Fund Balance | (45,842) | 17,566,074 | (273,077) |
| Fund Balance - Beginning | 387,729 | 54,325,379 | 273,077 |
| Fund Balance - Ending | <u>\$ 341,887</u> | <u>\$ 71,891,453</u> | <u>-</u> |
| Composition of Fund Balance | | | |
| Bank Balance | \$ 342,610 | \$ 71,983,877 | \$ |
| Deposits In Transit | | 4,948 | |
| Less Outstanding Checks | <u>(723)</u> | <u>(97,372)</u> | |
| Ending Fund Balance | <u>\$ 341,887</u> | <u>\$ 71,891,453</u> | <u>-</u> |

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

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DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENT

June 30, 2022

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 THE FINANCIAL STATEMENT
June 30, 2022
(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.

ARPA Fund - This fund was created in fiscal year 2021 to account for expenditures related to funding received from the American Rescue Plan Act (ARPA). The sole source of revenue is grant income received from the federal government provided under ARPA.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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 THE FINANCIAL STATEMENT
June 30, 2022
(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.

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.

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 THE FINANCIAL STATEMENT
June 30, 2022
(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 these criteria, the following are considered related organizations of the Daviess County Fiscal Court:

Owensboro-Daviess County Board of Health
 Regional Water Resource Agency (RWRA)
 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 these 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 THE FINANCIAL STATEMENT
June 30, 2022
(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, 2022, 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 2022.

| | General Fund | Jail Fund | Solid Waste Operating Fund | ARPA Fund | Total Transfers In |
|-------------------------------|----------------------|-------------------|----------------------------------|---------------------|-----------------------|
| Road Fund | \$ 3,470,000 | \$ - | \$ - | \$ - | \$ 3,470,000 |
| Jail Fund | 2,300,000 | | | | 2,300,000 |
| Solid Waste Construction | | | 852,000 | | 852,000 |
| Bond Fund | 2,851,566 | 369,000 | | | 3,220,566 |
| ARPA Fund | 9,858,661 | | | | 9,858,661 |
| General Fund | | | | 4,055,178 | 4,055,178 |
| Solid Waste Closure Fund | | | 204,665 | | 204,665 |
| Solid Waste Post Closure Fund | | | 40,741 | | 40,741 |
| Total Transfers Out | <u>\$ 18,480,227</u> | <u>\$ 369,000</u> | <u>\$ 1,097,406</u> | <u>\$ 4,055,178</u> | <u>\$ 24,001,811</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, 2022, was \$154,766.

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, 2022, was \$203,357.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(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, 2022, was \$43,570, 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's programs such as, Boys and Girls Club, Wendall Foster Center, YMCA, etc. The balance of the Theodore Levy Trust as of June 30, 2022, was \$19,861, these funds are maintained in the General Fund.

Note 5. Receivables

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 \$486,994 outstanding as of June 30, 2022. 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 THE FINANCIAL STATEMENT
June 30, 2022
(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, 2022, was \$486,994. Future debt service requirements are:

| June 30 | Principal | Interest |
|-----------|------------|-----------|
| 2023 | \$ 51,502 | \$ 13,278 |
| 2024 | 52,954 | 11,826 |
| 2025 | 54,447 | 10,333 |
| 2026 | 55,983 | 8,797 |
| 2027 | 57,561 | 7,219 |
| 2028-2031 | 214,547 | 12,181 |
| | \$ 486,994 | \$ 63,634 |

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(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 commenced on 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. As of June 30, 2022, 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, 2022 was \$375,964. Future debt service requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------|------------------|
| 2023 | \$ 21,042 | \$ 1,668 |
| 2024 | 21,096 | 1,573 |
| 2025 | 21,149 | 1,478 |
| 2026 | 21,202 | 1,384 |
| 2027 | 21,255 | 715 |
| 2028-2032 | 107,075 | 5,211 |
| 2033-2037 | 108,421 | 2,790 |
| 2038-2040 | 54,724 | 515 |
| Totals | <u>\$ 375,964</u> | <u>\$ 15,334</u> |

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt

1. 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, 2022, was \$3,175,000. Future debt service requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|---------------------|-------------------|
| 2023 | \$ 425,000 | \$ 61,637 |
| 2024 | 435,000 | 53,038 |
| 2025 | 445,000 | 44,238 |
| 2026 | 455,000 | 35,238 |
| 2027 | 460,000 | 26,088 |
| 2028-2029 | 955,000 | 21,656 |
| | <u>\$ 3,175,000</u> | <u>\$ 241,895</u> |

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

2. 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, 2022, was \$825,000. Future debt service requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|-------------------|------------------|
| 2023 | \$ 110,000 | \$ 16,313 |
| 2024 | 115,000 | 14,063 |
| 2025 | 115,000 | 11,762 |
| 2026 | 120,000 | 9,338 |
| 2027 | 120,000 | 6,788 |
| 2028-2029 | 245,000 | 5,569 |
| | <u>\$ 825,000</u> | <u>\$ 63,833</u> |

3. 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 THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

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

The principal balance outstanding for the bond issue as of June 30, 2022, was \$2,745,000. Future debt service requirements are:

| Fiscal Year Ended June 30 | Principal | Interest |
|------------------------------|---------------------|-------------------|
| 2023 | \$ 1,675,000 | \$ 137,250 |
| 2024 | 1,070,000 | 53,500 |
| | <u>\$ 2,745,000</u> | <u>\$ 190,750</u> |

4. General Obligation Bonds, Series 2020A

Daviess County entered into a bond issue, \$5,500,000 General Obligation Bonds, Series 2020A, on August 11, 2020. The bonds were issued for the purpose of: (i) paying the costs of the acquisition, installation and equipping of a public safety grade radio system, (ii) paying capitalized interest on the bonds, if any, (iii) paying costs of credit enhancement for the bonds, if any, and (iv) paying the costs of issuance of the bonds. The bonds mature on June 1, 2030 and require semi-annual principal payments each June 1st and December 1st, commencing December 1, 2020 at 1.4% per annum, calculated on the basis of a 360-day year with 30 day months. The bonds require annual principal payments on June 1st commencing June 1, 2021.

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

B. Other Debt (Continued)

4. General Obligation Bonds, Series 2020A (Continued)

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, 2022, was \$4,450,000. Future debt service requirements are:

| <u>June 30</u> | <u>Principal</u> | <u>Interest</u> |
|----------------|---------------------|-------------------|
| 2023 | \$ 530,000 | \$ 62,300 |
| 2024 | 535,000 | 54,880 |
| 2025 | 545,000 | 47,390 |
| 2026 | 550,000 | 39,760 |
| 2027 | 560,000 | 32,060 |
| 2028-2030 | <u>1,730,000</u> | <u>48,650</u> |
| | <u>\$ 4,450,000</u> | <u>\$ 285,040</u> |

Aggregate Debt Schedules

The amounts of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

| <u>Fiscal Year Ended</u> <u>June 30</u> | <u>General Obligation Bonds</u> | | <u>Direct Placements</u> | |
|--|---------------------------------|-------------------|--------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 2,740,000 | \$ 277,500 | \$ 72,544 | \$ 14,946 |
| 2024 | 2,155,000 | 175,481 | 74,050 | 13,399 |
| 2025 | 1,105,000 | 103,390 | 75,596 | 11,811 |
| 2026 | 1,125,000 | 84,336 | 77,185 | 10,181 |
| 2027 | 1,140,000 | 64,936 | 78,816 | 7,934 |
| 2028-2032 | 2,930,000 | 75,875 | 321,622 | 17,392 |
| 3033-3037 | - | - | 108,421 | 2,790 |
| 3038-3040 | - | - | <u>54,724</u> | <u>515</u> |
| Totals | <u>\$ 11,195,000</u> | <u>\$ 781,518</u> | <u>\$ 862,958</u> | <u>\$ 78,968</u> |

DAVISS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 6. Long-term Debt (Continued)

Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-----------|---------------------|----------------------|------------------------|
| General Obligation Bonds | \$ 13,835,000 | \$ | \$ 2,640,000 | \$ 11,195,000 | \$ 2,740,000 |
| Direct Placements | 934,039 | | 71,081 | 862,958 | 72,544 |
| Long-term Liabilities | <u>\$ 14,769,039</u> | <u>\$</u> | <u>\$ 2,711,081</u> | <u>\$ 12,057,958</u> | <u>\$ 2,812,544</u> |

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, 2022, county engineers estimate that \$8,422,290; additionally, the two-year closure care period prior to the entry into post-closure care is estimated to be \$304,492. Approximately 4.0% of the landfill airspace capacity has been used as of June 30, 2022.

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. The estimated post-closure care costs totals \$4,567,381 or \$152,246 per year for 30 years. 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 29.4 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, 2022, the Solid Waste Closure Fund had a balance of \$4,668,800 and the Solid Waste Post-Closure Fund had a balance of \$3,250,272.

Note 8. 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 THE FINANCIAL STATEMENT
June 30, 2022
(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 Public Pension Authority (KPPA). 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 2020 was \$3,099,247, FY 2021 was \$3,188,687 and FY 2022 was \$3,693,516.

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 26.95 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 THE FINANCIAL STATEMENT
June 30, 2022
(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 44.33 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 THE FINANCIAL STATEMENT
June 30, 2022
(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 THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 9. Employee Retirement System (Continued)

KPPA Annual Financial Report and Proportionate Share Audit Report

KPPA 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 Public Pension Authority, 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. Insurance

For the fiscal year ended June 30, 2022, 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 12. 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.

DAVIESS COUNTY
NOTES TO THE FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 12. Self-Insurance Fund (Continued)

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 continued to pay out runoff claims from the health insurance account until the last claim was paid. All claims were paid in fiscal year 2022 and the account was closed.

Note 13. 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, 2022, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. 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, 2022, property taxes totaling \$44,859 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, 2022, \$8,678 in occupational license taxes were abated.

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

For The Year Ended June 30, 2022

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DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

| | GENERAL FUND | | | |
|--|---------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Taxes | \$ 22,569,000 | \$ 22,569,000 | \$ 27,845,800 | \$ 5,276,800 |
| In Lieu Tax Payments | 1,500 | 1,500 | | (1,500) |
| Excess Fees | 1,831,500 | 1,831,500 | 1,321,367 | (510,133) |
| Licenses and Permits | 189,500 | 189,500 | 197,728 | 8,228 |
| Intergovernmental | 12,654,835 | 14,114,335 | 15,238,275 | 1,123,940 |
| Charges for Services | 135,000 | 135,000 | 207,814 | 72,814 |
| Miscellaneous | 364,550 | 373,350 | 953,275 | 579,925 |
| Interest | 140,000 | 140,000 | 114,949 | (25,051) |
| Total Receipts | <u>37,885,885</u> | <u>39,354,185</u> | <u>45,879,208</u> | <u>6,525,023</u> |
| DISBURSEMENTS | | | | |
| General Government | 9,577,148 | 10,292,303 | 8,561,782 | 1,730,521 |
| Protection to Persons and Property | 6,145,468 | 6,298,368 | 5,122,273 | 1,176,095 |
| General Health and Sanitation | 1,508,708 | 1,842,008 | 1,601,606 | 240,402 |
| Social Services | 436,974 | 475,974 | 335,516 | 140,458 |
| Recreation and Culture | 2,411,369 | 3,201,469 | 2,788,073 | 413,396 |
| Airports | 150,000 | 150,000 | 100,000 | 50,000 |
| Bus Services | 300,000 | 300,000 | 266,027 | 33,973 |
| Debt Service | 25,000 | 25,000 | 22,754 | 2,246 |
| Capital Projects | 1,540,500 | 1,572,500 | 406,182 | 1,166,318 |
| Administration | 8,054,475 | 7,460,320 | 3,175,629 | 4,284,691 |
| Total Disbursements | <u>30,149,642</u> | <u>31,617,942</u> | <u>22,379,842</u> | <u>9,238,100</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>7,736,243</u> | <u>7,736,243</u> | <u>23,499,366</u> | <u>15,763,123</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Bond Sale Proceeds | | | | |
| Transfers From Other Funds | 200,000 | 200,000 | 4,055,178.00 | 3,855,178 |
| Transfers To Other Funds | (18,436,243) | (18,936,243) | (18,480,227) | 456,016 |
| Total Other Adjustments to Cash (Uses) | <u>(18,236,243)</u> | <u>(18,736,243)</u> | <u>(14,425,049)</u> | <u>4,311,194</u> |
| Net Change in Fund Balance | (10,500,000) | (11,000,000) | 9,074,317 | 20,074,317 |
| Fund Balance Beginning | <u>10,500,000</u> | <u>11,000,000</u> | <u>19,866,408</u> | <u>8,866,408</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 28,940,725</u> | <u>\$ 28,940,725</u> |

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

| | ROAD FUND | | | |
|--|--------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 2,391,503 | \$ 2,391,503 | \$ 2,362,309 | \$ (29,194) |
| Miscellaneous | 11,500 | 11,500 | 10,491 | (1,009) |
| Interest | 3,500 | 3,500 | 13,451 | 9,951 |
| Total Receipts | <u>2,406,503</u> | <u>2,406,503</u> | <u>2,386,251</u> | <u>(20,252)</u> |
| DISBURSEMENTS | | | | |
| Roads | 5,701,270 | 6,201,270 | 4,975,928 | 1,225,342 |
| Administration | 1,000 | 1,000 | (48,399) | 49,399 |
| Total Disbursements | <u>5,702,270</u> | <u>6,202,270</u> | <u>4,927,529</u> | <u>1,274,741</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(3,295,767)</u> | <u>(3,795,767)</u> | <u>(2,541,278)</u> | <u>1,254,489</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | <u>2,971,777</u> | <u>3,471,777</u> | <u>3,470,000</u> | <u>(1,777)</u> |
| Total Other Adjustments to Cash (Uses) | <u>2,971,777</u> | <u>3,471,777</u> | <u>3,470,000</u> | <u>(1,777)</u> |
| Net Change in Fund Balance | (323,990) | (323,990) | 928,722 | 1,252,712 |
| Fund Balance Beginning | <u>323,990</u> | <u>323,990</u> | <u>1,046,678</u> | <u>722,688</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 1,975,400</u> | <u>\$ 1,975,400</u> |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

| | JAIL FUND | | | |
|--|--------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 6,051,129 | \$ 6,051,129 | \$ 5,000,809 | \$ (1,050,320) |
| Charges for Services | 310,000 | 310,000 | 403,738 | 93,738 |
| Miscellaneous | 476,000 | 476,000 | 627,043 | 151,043 |
| Interest | 5,000 | 5,000 | 11,367 | 6,367 |
| Total Receipts | <u>6,842,129</u> | <u>6,842,129</u> | <u>6,042,957</u> | <u>(799,172)</u> |
| DISBURSEMENTS | | | | |
| Protection to Persons and Property | 9,255,095 | 9,255,095 | 8,255,974 | 999,121 |
| Administration | 26,000 | 26,000 | (94,105) | 120,105 |
| Total Disbursements | <u>9,281,095</u> | <u>9,281,095</u> | <u>8,161,869</u> | <u>1,119,226</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(2,438,966)</u> | <u>(2,438,966)</u> | <u>(2,118,912)</u> | <u>320,054</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers To Other Funds | (369,000) | (369,000) | (369,000) | |
| Transfers From Other Funds | 2,307,966 | 2,307,966 | 2,300,000 | (7,966) |
| Total Other Adjustments to Cash (Uses) | <u>1,938,966</u> | <u>1,938,966</u> | <u>1,931,000</u> | <u>(7,966)</u> |
| Net Change in Fund Balance | (500,000) | (500,000) | (187,912) | 312,088 |
| Fund Balance Beginning | <u>500,000</u> | <u>500,000</u> | <u>1,932,592</u> | <u>1,432,592</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 1,744,680</u> | <u>\$ 1,744,680</u> |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Intergovernmental | \$ 514,665 | \$ 514,665 | \$ 401,702 | \$ (112,963) |
| Interest | 1,000 | 1,000 | 2,968 | 1,968 |
| Total Receipts | <u>515,665</u> | <u>515,665</u> | <u>404,670</u> | <u>(110,995)</u> |
| DISBURSEMENTS | | | | |
| General Government | 200,000 | 105,000 | | 105,000 |
| Roads | 521,000 | 616,000 | 615,399 | 601 |
| Total Disbursements | <u>721,000</u> | <u>721,000</u> | <u>615,399</u> | <u>105,601</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(205,335)</u> | <u>(205,335)</u> | <u>(210,729)</u> | <u>(5,394)</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 200,000 | 200,000 | | (200,000) |
| Transfers To Other Funds | <u>(200,000)</u> | <u>(200,000)</u> | | <u>200,000</u> |
| Total Other Adjustments to Cash (Uses) | | | | |
| Net Change in Fund Balance | (205,335) | (205,335) | (210,729) | (5,394) |
| Fund Balance Beginning | <u>205,335</u> | <u>205,335</u> | <u>594,689</u> | <u>389,354</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 383,960</u> | <u>\$ 383,960</u> |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(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 | \$ 3,253 | \$ 2,253 |
| Total Receipts | 1,000 | 1,000 | 3,253 | 2,253 |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | 1,000,000 | 1,000,000 | 279,465 | 720,535 |
| Total Disbursements | 1,000,000 | 1,000,000 | 279,465 | 720,535 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (999,000) | (999,000) | (276,212) | 722,788 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 852,000 | 852,000 | 852,000 | |
| Total Other Adjustments to Cash (Uses) | 852,000 | 852,000 | 852,000 | |
| Net Change in Fund Balance | (147,000) | (147,000) | 575,788 | 722,788 |
| Fund Balance Beginning | 147,000 | 147,000 | 234,562 | 87,562 |
| Fund Balance - Ending | \$ | \$ | \$ 810,350 | \$ 810,350 |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(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 | 401,000 | 401,000 | 360,906 | (40,094) |
| Charges for Services | 9,476,900 | 9,476,900 | 10,366,114 | 889,214 |
| Miscellaneous | 80,000 | 80,000 | 461,022 | 381,022 |
| Interest | 70,000 | 70,000 | 42,632 | (27,368) |
| Total Receipts | <u>10,028,900</u> | <u>10,028,900</u> | <u>11,230,674</u> | <u>1,201,774</u> |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | 8,882,682 | 10,623,382 | 9,163,571 | 1,459,811 |
| Administration | 7,106,218 | 5,365,518 | (82,146) | 5,447,664 |
| Total Disbursements | <u>15,988,900</u> | <u>15,988,900</u> | <u>9,081,425</u> | <u>6,907,475</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | | | |
| | <u>(5,960,000)</u> | <u>(5,960,000)</u> | <u>2,149,249</u> | <u>8,109,249</u> |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers To Other Funds | <u>(1,040,000)</u> | <u>(1,040,000)</u> | <u>(1,097,406)</u> | <u>(57,406)</u> |
| Total Other Adjustments to Cash (Uses) | <u>(1,040,000)</u> | <u>(1,040,000)</u> | <u>(1,097,406)</u> | <u>(57,406)</u> |
| Net Change in Fund Balance | (7,000,000) | (7,000,000) | 1,051,843 | 8,051,843 |
| Fund Balance Beginning | <u>7,000,000</u> | <u>7,000,000</u> | <u>7,503,516</u> | <u>503,516</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 8,555,359</u> | <u>\$ 8,555,359</u> |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

| | BOND FUND | | | |
|--|------------------|-------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ | \$ | \$ 8 | \$ 8 |
| Interest | 1,000 | 1,000 | 22,460 | 21,460 |
| Total Receipts | 1,000 | 1,000 | 22,468 | 21,468 |
| DISBURSEMENTS | | | | |
| Debt Service | 6,976,000 | 6,976,000 | 3,307,250 | 3,668,750 |
| Administration | 500 | 500 | | 500 |
| Total Disbursements | 6,976,500 | 6,976,500 | 3,307,250 | 3,669,250 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (6,975,500) | (6,975,500) | (3,284,782) | 3,690,718 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 3,375,500 | 3,375,500 | 3,220,566 | (154,934) |
| Total Other Adjustments to Cash (Uses) | 3,375,500 | 3,375,500 | 3,220,566 | (154,934) |
| Net Change in Fund Balance | (3,600,000) | (3,600,000) | (64,216) | 3,535,784 |
| Fund Balance Beginning | 3,600,000 | 3,600,000 | 3,895,253 | 295,253 |
| Fund Balance - Ending | \$ | \$ | \$ 3,831,037 | \$ 3,831,037 |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

ECONOMIC DEVELOPMENT FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Miscellaneous | \$ | \$ | \$ 327,363 | \$ 327,363 |
| Interest | 4,000 | 4,000 | 6,890 | \$ 2,890 |
| Total Receipts | 4,000 | 4,000 | 334,253 | 330,253 |
| DISBURSEMENTS | | | | |
| General Government | 1,444,000 | 1,444,000 | 10,000 | 1,434,000 |
| Total Disbursements | 1,444,000 | 1,444,000 | 10,000 | 1,434,000 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | | | | |
| | (1,440,000) | (1,440,000) | 324,253 | 1,764,253 |
| 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 | (1,340,000) | (1,340,000) | 324,253 | 1,664,253 |
| Fund Balance Beginning | 1,340,000 | 1,340,000 | 1,345,054 | 5,054 |
| Fund Balance - Ending | \$ | \$ | \$ 1,669,307 | \$ 1,669,307 |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

SOLID WASTE DEBT SERVICE FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|------------------|---------|--|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Interest | \$ | \$ | \$ 20 | \$ 20 |
| Total Receipts | | | 20 | 20 |
| DISBURSEMENTS | | | | |
| Debt Service | 1,000 | 1,000 | 15 | 985 |
| Total Disbursements | 1,000 | 1,000 | 15 | 985 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (1,000) | (1,000) | 5 | 1,005 |
| Net Change in Fund Balance | (1,000) | (1,000) | 5 | 1,005 |
| Fund Balance Beginning | 1,000 | 1,000 | 1,024 | 24 |
| Fund Balance - Ending | \$ | \$ | \$ 1,029 | \$ 1,029 |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(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 | \$ 23,929 | \$ (16,071) |
| Total Receipts | 40,000 | 40,000 | 23,929 | (16,071) |
| DISBURSEMENTS | | | | |
| General Health and Sanitation | 1,025,000 | 1,025,000 | 21,383 | 1,003,617 |
| Administration | 3,373,000 | 3,373,000 | | 3,373,000 |
| Total Disbursements | 4,398,000 | 4,398,000 | 21,383 | 4,376,617 |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | (4,358,000) | (4,358,000) | 2,546 | 4,360,546 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 158,000 | 158,000 | 204,665 | 46,665 |
| Total Other Adjustments to Cash (Uses) | 158,000 | 158,000 | 204,665 | 46,665 |
| Net Change in Fund Balance | (4,200,000) | (4,200,000) | 207,211 | 4,407,211 |
| Fund Balance Beginning | 4,200,000 | 4,200,000 | 4,461,589 | 261,589 |
| Fund Balance - Ending | \$ | \$ | \$ 4,668,800 | \$ 4,668,800 |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(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 | \$ 17,039 | \$ (12,961) |
| Total Receipts | <u>30,000</u> | <u>30,000</u> | <u>17,039</u> | <u>(12,961)</u> |
| DISBURSEMENTS | | | | |
| Administration | 3,210,000 | 3,210,000 | | 3,210,000 |
| Total Disbursements | <u>3,210,000</u> | <u>3,210,000</u> | | <u>3,210,000</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(3,180,000)</u> | <u>(3,180,000)</u> | 17,039 | 3,197,039 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 30,000 | 30,000 | 40,741 | 10,741 |
| Total Other Adjustments to Cash (Uses) | <u>30,000</u> | <u>30,000</u> | <u>40,741</u> | <u>10,741</u> |
| Net Change in Fund Balance | (3,150,000) | (3,150,000) | 57,780 | 3,207,780 |
| Fund Balance Beginning | <u>3,150,000</u> | <u>3,150,000</u> | <u>3,192,492</u> | <u>42,492</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 3,250,272</u> | <u>\$ 3,250,272</u> |

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2021
(Continued)

| | ARPA FUND | | | |
|--|---------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| RECEIPTS | | | | |
| Interest | \$ 1,000 | \$ 1,000 | \$ 51,371 | 50,371 |
| Total Receipts | <u>1,000</u> | <u>1,000</u> | <u>51,371</u> | <u>50,371</u> |
| DISBURSEMENTS | | | | |
| Capital Projects | 19,701,000 | 19,701,000 | | 19,701,000 |
| Total Disbursements | <u>19,701,000</u> | <u>19,701,000</u> | | <u>19,701,000</u> |
| Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses) | <u>(19,700,000)</u> | <u>(19,700,000)</u> | 51,371 | 19,751,371 |
| Other Adjustments to Cash (Uses) | | | | |
| Transfers From Other Funds | 9,850,000 | 9,850,000 | 9,858,661 | 8,661 |
| Transfers To Other Funds | | | (4,055,178) | (4,055,178) |
| Total Other Adjustments to Cash (Uses) | <u>9,850,000</u> | <u>9,850,000</u> | <u>5,803,483</u> | <u>(4,046,517)</u> |
| Net Change in Fund Balance | (9,850,000) | (9,850,000) | 5,854,854 | 15,704,854 |
| Fund Balance Beginning | <u>9,850,000</u> | <u>9,850,000</u> | <u>9,863,793</u> | <u>13,793</u> |
| Fund Balance - Ending | <u>\$</u> | <u>\$</u> | <u>\$ 15,718,647</u> | <u>\$ 15,718,647</u> |

DAVIESS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES
June 30, 2022

Note 1. Budgetary Information

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

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

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

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

For The Year Ended June 30, 2022

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DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity's Identifying Number | Provided to Subrecipient | Total Federal Expenditures |
|---|--------------------------------------|---|-----------------------------|----------------------------------|
| <u>U. S. Department of the Treasury</u> | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - COVID-19 | 21.027 | NA | \$ - | \$ 4,055,178 |
| Total direct funding from U.S. Department of the Treasury | | | \$ - | \$ 4,055,178 |
| <u>Passed-Through State Department Cabinet for Families and Children</u> | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - COVID-19 | 21.027 | KY0032833 | \$ - | \$ 198,541 |
| <u>Total U. S. Department of the Treasury</u> | | | \$ - | \$ 4,253,719 |
| <u>U. S. Department of Health and Human Resources</u> | | | | |
| <u>Passed-Through State Department Cabinet for Families and Children</u> | | | | |
| Child Support Enforcement | 93.563 | 1900002095 | \$ - | \$ 464,786 |
| <u>Total U. S. Department of Health and Human Resources</u> | | | \$ - | \$ 464,786 |
| <u>U. S. Department of Homeland Security</u> | | | | |
| <u>Passed-Through Kentucky Emergency Management</u> | | | | |
| Emergency Management Performance Grants | 97.042 | 190000978 | \$ - | \$ 55,659 |
| <u>Total U. S. Department of Homeland Security</u> | | | \$ - | \$ 55,659 |
| <u>U. S. Department of Housing and Urban Development</u> | | | | |
| <u>Passed-Through State Dept for Local Government:</u> | | | | |
| Community Development Block Grants/States Program - Owensboro Regional Recovery | 14.228 | 20C-008 | \$ 200,000 | \$ 200,000 |
| Community Development Block Grants/States Program - Owensboro Regional Recovery | 14.228 | 20-005 | 1,000 | 1,000 |
| Community Development Block Grants/States Program - Covid Utility Assistance Program - COVID-19 | 14.228 | 20C-102 | 60,000 | 60,000 |
| Community Development Block Grants/States Program -Oasis Center Project | 14.228 | 20C182 | 965,000 | 965,000 |
| <u>Total U. S. Department of Housing and Urban Development</u> | | | \$ 1,226,000 | \$ 1,226,000 |
| <u>U. S. Department of Justice</u> | | | | |
| <u>Passed-Through State Dept of Justice:</u> | | | | |
| Crime Victim Assistance VOCA | 16.575 | 00027 | \$ - | \$ 56,841 |
| <u>Total U. S. Department of Justice</u> | | | \$ - | \$ 56,841 |
| <u>U.S. Department of Interior - National Park Service</u> | | | | |
| <u>Passed-Through Kentucky Dept of Local Government</u> | | | | |
| Outdoor Recreation Acquisition, Development and Planning | 15.916 | 21-01558 | \$ - | \$ 74,795 |
| <u>Total U. S. Department of Interior - National Park Service</u> | | | \$ - | \$ 74,795 |
| <u>U. S. Election Assistance Commission</u> | | | | |
| <u>Passed-Through Kentucky State Board of Elections</u> | | | | |
| 2018 HAVA Election Security Grants | 90.404 | 2200002596 | \$ - | \$ 142,500 |
| <u>Total U.S. Election Assistance Commission</u> | | | \$ - | \$ 142,500 |
| Total Expenditures of Federal Assistance | | | \$ 1,226,000 | \$ 6,274,300 |

The accompanying notes are an integral part of this schedule.

DAVISS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

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, 2022. 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 based on 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.

Note 4. Coronavirus State and Local Fiscal Recovery Funds

In August 2021, the Daviess County Fiscal Court was notified that it was awarded additional funding from the Kentucky Department of Corrections that could be utilized to pay for salaries related to the Daviess County Detention Center that were incurred in the prior fiscal year. The total federal expenditures for the State and Local Fiscal Recovery Fund include \$198,541 that is related to Detention Center salaries incurred in the prior fiscal year.

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

For The Year Ended June 30, 2022

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DAVIESS COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------|-----------------------|---------------------|-----------------------|-----------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Buildings | \$ 39,033,303 | \$ 1,078,537 | \$ | \$ 40,111,840 |
| Land | 5,642,644 | | | 5,642,644 |
| Land Improvements | 18,048,715 | 345,643 | | 18,394,358 |
| Construction in Progress | 4,594,137 | 340,845 | (35,879) | 4,899,103 |
| Vehicles and Equipment | 24,891,451 | 2,297,574 | (1,546,783) | 25,642,242 |
| Jail Commissary | 297,657 | 30,524 | | 328,181 |
| Infrastructure | 122,696,736 | 1,692,286 | | 124,389,022 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Capital Assets | <u>\$ 215,204,643</u> | <u>\$ 5,785,409</u> | <u>\$ (1,582,662)</u> | <u>\$ 219,407,390</u> |

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

June 30, 2022

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements | \$ 50,000 | 10-25 |
| Buildings and Building Improvements | \$ 50,000 | 10-40 |
| Vehicles and Equipment | \$ 15,000 | 5-10 |
| Infrastructure | \$ 55,000 | 10-50 |

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

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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, 2022 and the related notes to the financial statement which collectively comprise the Daviess County Fiscal Court's financial statement and have issued our report thereon dated December 9, 2022.

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

Purpose of this Report

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

Respectfully submitted,

Handwritten signature in black ink that reads "MCM CPAs & Advisors LLP". The signature is stylized and cursive.

Lexington, Kentucky
December 9, 2022

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

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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

Opinion on Each Major Federal Program

We have audited the Daviess County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Daviess County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Daviess County Fiscal Court's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Daviess County Fiscal Court's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Daviess County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Daviess County Fiscal Court's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Daviess County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Daviess County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Daviess County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 that reads "MUM CPAs & Advisors LLP". The signature is written in a cursive, stylized font.

Lexington, Kentucky
December 9, 2022

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

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

Identification of major programs:

| <u>Federal Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u> |
|--|--|
| 21.027 | State and Local Fiscal Recovery Funds – COVID-19 |
| 14.228 | Community Development Block Grants/States program – COVID-19 |

| | | |
|--|-----------|-----------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 | |
| Auditee qualified as a low-risk auditee? | ___ Yes | ___ <u>X</u> No |

**DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section II: Financial Statement Findings

None noted.

Section III: Federal Award Findings And Questioned Costs

None noted.

**DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022
(Continued)**

Section IV: Summary Schedule of Prior Audit Findings

None noted.

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

DAVISS COUNTY FISCAL COURT

For The Year Ended June 30, 2022

CERTIFICATION OF COMPLIANCE

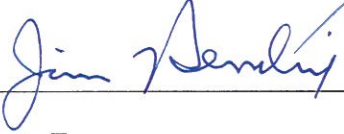
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
DAVISS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2022

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