

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

**For The Fiscal Year Ended
June 30, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE DAVISS COUNTY FISCAL COURT

June 30, 2011

The Auditor of Public Accounts has completed the audit of the Daviess County Fiscal Court for fiscal year ended June 30, 2011. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Daviess County's major federal programs: Title IV-D Child Support Enforcement (CFDA # 93.563) and Community Development Block Grants/State's Program (CFDA # 14.228).

Financial Condition:

The fiscal court had total net assets of \$74,318,342 as of June 30, 2011. The fiscal court had unrestricted net assets of \$13,223,928 in its governmental activities as of June 30, 2011, with total net assets of \$63,808,948. In its business-type activities, total cash and cash equivalents were \$8,791,676 with total net assets of \$10,509,394. The fiscal court had total debt principal as of June 30, 2011 of \$43,062,312 with \$2,731,936 due within the next year.

Deposits:

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
DAVISS COUNTY OFFICIALS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	17
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	20
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	33
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	37
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	32
STATEMENT OF FIDUCIARY NET ASSETS-MODIFIED CASH BASIS.....	36
NOTES TO FINANCIAL STATEMENTS	38
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS	64
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	67
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	70
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	74
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS	78
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	82
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	83
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	86
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 ..	90
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	94
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS	



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Daviess County Fiscal Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Daviess County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it related to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
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Members of the Daviess County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Daviess County, Kentucky's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2012 on our consideration of Daviess County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

May 9, 2012

DAVIESS COUNTY OFFICIALS

For The Year Ended June 30, 2011

Fiscal Court Members:

Al Mattingly	County Judge/Executive
Charlie Castlen	Commissioner
Jim Lambert	Commissioner
George Wathen	Commissioner

Other Elected Officials:

Claud Porter	County Attorney
David Osborne	Jailer
David "Oz" Osborne	County Clerk
Susan Tierney	Circuit Court Clerk
Keith Cain	Sheriff
Sandy Dawdy	Property Valuation Administrator
Jeff Jones	Coroner

Appointed Personnel:

Jim Hendrix	County Treasurer
Marsha Hardesty	Assistant County Treasurer/Human Resource Manager
Jennifer Warren	Fiscal Court Clerk



Daviess County Fiscal Court

COUNTY JUDGE/EXECUTIVE
Al Mattingly

COUNTY ATTORNEY
Claud Porter

Daviess County Courthouse
P.O. Box 1716
Owensboro, Kentucky 42302-1716
Telephone: (270) 685-8424
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COUNTY COMMISSIONERS
Charlie Castlen - Central Division
Jim Lambert - Eastern Division
George Wathen - Western Division

Management's Discussion and Analysis June 30, 2011

The financial management of Daviess County, Kentucky offers readers of Daviess County's financial statements this narrative overview and analysis of the financial activities of Daviess County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Daviess County had total net assets of \$74,318,342 as of June 30, 2011. The fiscal court had unrestricted net assets of \$13,223,928 in the governmental activities as of June 30, 2011, with total net assets of \$63,808,948. In the business-type activities, cash and cash equivalents were \$8,791,676 with total net assets of \$10,509,394. Total debt for governmental activities principal as of June 30, 2011 was \$40,082,801 with \$2,105,600 due within one year. Total debt for business-type activities principal as of June 30, 2011 was \$2,979,511 with \$626,336 due within one year.
- The governmental activities total net assets decreased by \$3,575,544 from the prior year. This is primarily the result of depreciation in excess of new capital assets, infrastructure, and improvements.
- At the close of the current fiscal year, Daviess County governmental activities reported current assets of \$31,360,664.
- Daviess County's total indebtedness at the close of fiscal year June 30, 2011 was \$43,062,312, of which \$40,330,376 is long-term debt (due after 1 year) and \$2,731,936 is short-term debt (to be paid within 1 year).

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Daviess County's basic financial statements. Daviess County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Daviess County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Daviess County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Daviess County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Daviess County's governmental activities include general government, protection to persons and property, roads, recreation, social services, airport, debt service, capital projects, and administration. Daviess County has two business type activities - Jail Canteen Fund and the Solid Waste Fund.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Daviess County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Daviess County can be divided into broad categories: *governmental funds, proprietary and fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Overview of the Financial Statements (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Daviess County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each major fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund financial statements provide separate information for the Jail Canteen Fund and the Solid Waste Fund.

Internal Service Fund. Health Insurance Fund - The County maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

**Table 1
Net Assets Comparison - Governmental Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 32,833,625	\$ 36,315,664	\$ 3,482,039	10.61%
Capital Assets	71,380,621	67,576,085	(3,804,536)	-5.33%
Total Assets	<u>104,214,246</u>	<u>103,891,749</u>	<u>(322,497)</u>	-0.31%
Liabilities				
Current Liabilities	1,611,953	2,105,600	493,647	30.62%
Long-term Liabilities	35,217,801	37,977,201	2,759,400	7.84%
Total Liabilities	<u>36,829,754</u>	<u>40,082,801</u>	<u>3,253,047</u>	8.83%
Net Assets				
Invested in Capital Assets, Net of Related Debt	34,550,867	32,653,284	(1,897,583)	-5.49%
Restricted	32,833,625	17,931,736	17,931,736	100.00%
Unrestricted	32,833,625	13,223,928	(19,609,697)	-59.72%
Total Net Assets	<u>\$ 67,384,492</u>	<u>\$ 63,808,948</u>	<u>\$ (3,575,544)</u>	-5.31%

**Table 2
Net Assets Comparison - Business Type Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Assets				
Current and Other Assets	\$ 8,354,211	\$ 8,791,676	\$ 437,465	5.24%
Capital Assets	4,771,432	4,697,229	(74,203)	-1.56%
Total Assets	<u>13,125,643</u>	<u>13,488,905</u>	<u>363,262</u>	2.77%
Liabilities				
Current Liabilities	617,871	626,336	8,465	1.37%
Long-term Liabilities	2,979,511	2,353,175	(626,336)	-21.02%
Total Liabilities	<u>3,597,382</u>	<u>2,979,511</u>	<u>(617,871)</u>	-17.18%
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,174,050	1,717,718	543,668	46.31%
Restricted	2,584,234	6,780,126	4,195,892	162.37%
Unrestricted	5,769,977	2,011,550	(3,758,427)	-65.14%
Total Net Assets	<u>\$ 9,528,261</u>	<u>\$ 10,509,394</u>	<u>\$ 981,133</u>	10.30%

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Changes in Net Assets.

Governmental Activities. Daviess County's net assets decreased by \$3,575,544 during fiscal year 2011. Key elements of this are as follows:

- Current assets, made up of cash and cash equivalents increased by \$3,482,039.
- Expenditures totaled \$33,249,674 as reflected in the Statement of Activities, an increase of \$5,055,081 over the prior year.
- Total revenue was \$29,674,130 as reflected in the Statement of Activities, an increase of \$1,606,977.
- The Internal Service Fund – Self Insurance reported a net loss of \$20,361.
- Total Liabilities increased by \$3,253,047.
- Capital assets decreased by \$3,804,536.

Business-type Activities. Daviess County's net assets increased by \$981,133 during fiscal year 2011. Key elements are as follows:

- Current assets, made up of cash and cash equivalents increased by \$437,465.
- Current and long-term liabilities decreased by \$617,871, due to the issuance of a general obligation bond for the expansion of the landfill and issuance of a refunding bond.
- Total revenue was \$6,031,258 as reflected in the Statement of Activities, a decrease of \$2,809,316 over the prior year.
- Expenses totaled \$5,050,125 as reflected in the Statement of Activities, a decrease of \$2,786,459 over the prior year.

**Table 3
Statement of Activities Comparison -
Governmental Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Expenses:				
General Government	\$ 7,879,186	\$ 10,224,147	\$ 2,344,961	29.76%
Protection to Persons and Property	10,155,396	10,427,794	272,398	2.68%
General Health and Sanitation	488,035	517,121	29,086	5.96%
Social Services	231,977	292,607	60,630	26.14%
Recreation and Culture	1,792,800	1,952,353	159,553	8.90%
Roads	6,310,172	6,571,061	260,889	4.13%
Airports	186,870	233,293	46,423	24.84%
Bus Services	265,125	231,600	(33,525)	-12.64%
Interest on Long Term Debt	574,187	2,627,083	2,052,896	357.53%
Capital Projects	310,845	172,615	(138,230)	-44.47%
Total Expenses	<u>28,194,593</u>	<u>33,249,674</u>	<u>5,055,081</u>	<u>17.93%</u>

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

**Table 3
Statement of Activities Comparison -
Governmental Activities (continued)**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Revenues:				
General Revenue	\$ 15,908,666	\$ 17,955,095	\$ 2,046,429	12.86%
Charges for Services	6,450,023	5,484,359	(965,664)	-14.97%
Operating Grants and Contributions	3,126,421	3,896,012	769,591	24.62%
Capital Grants and Contributions	2,582,043	2,338,664	(243,379)	-9.43%
Total Revenue	<u>28,067,153</u>	<u>29,674,130</u>	<u>1,606,977</u>	5.73%
Change in Net Assets	(127,440)	(3,575,544)	(3,448,104)	2705.67%
Beginning Net Assets	66,361,331	67,384,492	1,023,161	1.54%
Ending Net Assets	<u>\$ 66,233,891</u>	<u>\$ 63,808,948</u>	<u>\$ (2,424,943)</u>	-3.66%

**Table 4
Statement of Activities Comparison -
Business Type Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Expenses:				
Jail Canteen	\$ 529,093	\$ 479,472	\$ (49,621)	-9.38%
Solid Waste Operating	7,307,491	4,570,653	(2,736,838)	-37.45%
Total Expenses	<u>7,836,584</u>	<u>5,050,125</u>	<u>(2,786,459)</u>	-35.56%
Revenues:				
Interest Income	170,557	193,320	22,763	13.35%
Charges for Services	8,445,597	5,916,142	(2,529,455)	-29.95%
Gain on Sale of Capital Asset		19,856	19,856	100.00%
Contributions		617,871	617,871	100.00%
Transfers In from General Fund	224,420	(715,931)	(940,351)	-419.01%
Total Revenue	<u>8,840,574</u>	<u>6,031,258</u>	<u>(2,809,316)</u>	-31.78%
Change in Net Assets	1,003,990	981,133	(22,857)	-2.28%
Beginning Net Assets	8,565,209	9,528,261	963,052	11.24%
Ending Net Assets	<u>\$ 9,569,199</u>	<u>\$ 10,509,394</u>	<u>\$ 940,195</u>	9.83%

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Financial Analysis of County's Funds

As noted earlier, Daviess County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Daviess County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2011 fiscal year, the combined ending fund balances of County governmental funds were \$31,033,204. This amount consists of restricted, committed, assigned, and unassigned fund balances, which are available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (4) four major governmental, and (2) two non-major funds.

Major Funds

- General Fund
- Road Fund
- Jail Fund
- County Bond Sinking Fund

Non-major Funds

- Local Government Economic Assistance Fund
- Daviess County Public Improvement Corporation Fund

1. The General Fund is the chief operating fund of Daviess County. At the end of June 30, 2011 fiscal year, unreserved fund balance of the General Fund was \$26,305,858. The County received \$14,893,851 in real and personal property, motor vehicle, and other taxes for approximately 73% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 27% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. At the end of June 30, 2011 fiscal year, unreserved fund balance of the Road Fund was \$588,032. The fiscal year 2011 expenditures for the Road Fund were \$3,288,282.
3. The Jail Fund is used to account for the operation of the County's detention program. At the end of June 30, 2011 fiscal year, unreserved fund balance of the Jail Fund was \$365,666. The Jail Fund received \$4,204,915 for intergovernmental fees, primarily for housing prisoners.
4. The County Bond Fund had a fund balance of \$1,635,275 at June 30, 2011.
5. The non-major governmental funds had a fund balance of \$2,168,373 at June 30, 2011.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Financial Analysis of the County's Funds (Continued)

Daviess County has two (2) business-type proprietary funds, they are:

- Jail Canteen Fund
- Solid Waste Fund

The Jail Canteen Fund's restricted net assets at the end of June 30, 2011 fiscal year, amounted to \$128,824 and total net assets were \$166,271.

The Solid Waste Fund at the end of June 30, 2011 fiscal year had \$10,343,123 in total net assets, \$2,011,550 in unrestricted net assets, \$6,651,302 in restricted net assets, and \$1,680,271 invested in capital assets, net of related debt.

General Fund Budgetary Highlights.

During the Fiscal Year ending June 30, 2011, the Fiscal Court had two budget amendments to amend the budget of the self insurance fund to account for unbudgeted receipts of \$500,000 and to account for unbudgeted receipts in the Solid Waste Construction Fund and the Solid Waste Operating Fund.

Capital Assets and Debt Administration.

Capital Assets. Daviess County's investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$77,228,314 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, construction in progress for park improvements, and old jail improvements. Daviess County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2011 fiscal year included:

- Purchased a pumper truck
- Purchased playground equipment for the Parks Department
- Purchase of new machinery and heavy equipment for the landfill and transfer station
- Completed expansion of the landfill

Additional information on the County's capital assets can be found in Note 3 of this report.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Capital Assets and Debt Administration (Continued)

Table 5

**Capital Assets Comparison, Net of Accumulated
Depreciation - Governmental Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Land and Land Improvements	\$ 7,645,468	\$ 7,498,526	\$ (146,942)	-1.92%
Construction In Progress	112,556		(112,556)	-100.00%
Buildings	25,283,819	24,621,803	(662,016)	-2.62%
Vehicles and Equipment	2,527,802	2,212,065	(315,737)	-12.49%
Infrastructure	<u>35,793,075</u>	<u>33,243,691</u>	<u>(2,549,384)</u>	-7.12%
Total Net Capital Assets	<u>\$ 71,362,720</u>	<u>\$ 67,576,085</u>	<u>\$ (3,786,635)</u>	-5.31%

Table 6

**Capital Assets Comparison, Net of Accumulated
Depreciation - Business Type Activities**

	<u>2010</u>	<u>2011</u>	<u>Variance</u>	<u>%</u>
Land and Land Improvements	\$ 428,161	\$ 2,262,362	\$ 1,834,201	428.39%
Construction In Progress	1,855,086		(1,855,086)	100.00%
Buildings	379,944	366,667	(13,277)	-3.49%
Vehicles and Equipment	<u>2,108,240</u>	<u>2,068,200</u>	<u>(40,040)</u>	-1.90%
Total Net Capital Assets	<u>\$ 4,771,431</u>	<u>\$ 4,697,229</u>	<u>\$ (74,202)</u>	-1.56%

Long-Term Debt. At the end of the 2011 fiscal year, Daviess County had total bonded debt outstanding of \$42,585,000 from General Obligation Bonds. The County has additional financing obligations totaling \$477,312. Additional information on the County's debt can be found in Notes 4 and 5 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 fiscal year budget:

- The County Employee Retirement System cost projections continue to increase the employer contribution rate for the defined benefit plan provided to the employees. The Fiscal Court will continue to monitor the impact of these increases and its impact on the service levels provided to the community.

**Daviess County
Management's Discussion and Analysis
June 30, 2011
(Continued)**

Other Matters (Continued)

- Employee health related costs continued to trend upward and will continue to be monitored.

Requests For Information.

This financial report is designed to provide a general overview of Daviess County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Daviess County Treasurer, 212 St Ann Street, Second Floor, Owensboro, KY 42103.

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DAVISS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

DAVIESS COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2011

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 31,155,664	\$ 8,791,676	\$ 39,947,340
Accounts Receivable-Current	205,000		205,000
Total Current Assets	<u>31,360,664</u>	<u>8,791,676</u>	<u>40,152,340</u>
Noncurrent Assets:			
Accounts Receivable-Non Current	4,955,000		4,955,000
Capital Assets - Net of Accumulated Depreciation			
Land	4,543,726	316,250	4,859,976
Land Improvements	2,954,800	1,946,112	4,900,912
Buildings	24,621,803	366,667	24,988,470
Vehicles and Equipment	2,212,065	2,068,200	4,280,265
Infrastructure	33,243,691		33,243,691
Total Noncurrent Assets	<u>72,531,085</u>	<u>4,697,229</u>	<u>77,228,314</u>
Total Assets	<u>103,891,749</u>	<u>13,488,905</u>	<u>117,380,654</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	1,993,664	626,336	2,620,000
Financing Obligations Payable	111,936		111,936
Total Current Liabilities	<u>2,105,600</u>	<u>626,336</u>	<u>2,731,936</u>
Noncurrent Liabilities:			
Bonds Payable	37,611,825	2,353,175	39,965,000
Financing Obligations Payable	365,376		365,376
Total Noncurrent Liabilities	<u>37,977,201</u>	<u>2,353,175</u>	<u>40,330,376</u>
Total Liabilities	<u>40,082,801</u>	<u>2,979,511</u>	<u>43,062,312</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	32,653,284	1,717,718	34,371,002
Restricted For:			
Post-Closure Care Costs		6,651,302	6,651,302
Jail Canteen		128,824	128,824
Roads	173,982		173,982
Capital Projects	16,046,516		16,046,516
Debt Service	1,711,238		1,711,238
Unrestricted	13,223,928	2,011,550	15,235,478
Total Net Assets	<u>\$ 63,808,948</u>	<u>\$ 10,509,394</u>	<u>\$ 74,318,342</u>

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

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DAVISS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011

DAVISS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 10,224,147	\$ 997,195	\$ 2,291,958	\$ 664,001
Protection to Persons and Property	10,427,794	4,323,842	522,316	37,005
General Health and Sanitation	517,121	118,718		
Social Services	292,607			
Recreation and Culture	1,952,353	35,344		
Roads	6,571,061	9,260	898,911	1,637,658
Airports	233,293			
Bus Services	231,600		182,827	
Debt Service	2,627,083			
Capital Projects	172,615			
Total Governmental Activities	33,249,674	5,484,359	3,896,012	2,338,664
Business-type Activities:				
Jail Canteen	479,472	497,390		
Solid Waste Operations	4,570,653	5,418,752		
Total Business-type Activities	5,050,125	5,916,142		
Total Primary Government	\$ 38,299,799	\$ 11,400,501	\$ 3,896,012	\$ 2,338,664

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Insurance Premium Tax
Occupational/Net Profit Tax
Other Taxes

Excess Fees
E-911 User Fees
Miscellaneous Revenues
Telephone Commissions
Surplus Equipment Sales
Land Sales
Gain on Sale of Capital Assets
Contribution
Interest Received
Transfers (Net)

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

DAVISS COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (6,270,993)	\$	\$ (6,270,993)
(5,544,631)		(5,544,631)
(398,403)		(398,403)
(292,607)		(292,607)
(1,917,009)		(1,917,009)
(4,025,232)		(4,025,232)
(233,293)		(233,293)
(48,773)		(48,773)
(2,627,083)		(2,627,083)
(172,615)		(172,615)
<u>(21,530,639)</u>		<u>(21,530,639)</u>
	17,918	17,918
	848,099	848,099
	<u>866,017</u>	<u>866,017</u>
<u>(21,530,639)</u>	<u>866,017</u>	<u>(20,664,622)</u>
5,723,508		5,723,508
913,235		913,235
977,029		977,029
3,654,584		3,654,584
1,573,053		1,573,053
1,630,099		1,630,099
859,882		859,882
439,733		439,733
448,500		448,500
235,998		235,998
71,614		71,614
174,613		174,613
	19,856	19,856
	617,871	617,871
537,316	193,320	730,636
715,931	<u>(715,931)</u>	
<u>17,955,095</u>	<u>115,116</u>	<u>18,070,211</u>
(3,575,544)	981,133	(2,594,411)
<u>67,384,492</u>	<u>9,528,261</u>	<u>76,912,753</u>
<u>\$ 63,808,948</u>	<u>\$ 10,509,394</u>	<u>\$ 74,318,342</u>

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

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DAVISS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2011

DAVISS COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2011

	General Fund	Road Fund	Jail Fund	County Bond Fund
ASSETS				
Cash and Cash Equivalents	\$ 26,305,858	\$ 558,032	\$ 365,666	\$ 1,635,275
Total Assets	<u>26,305,858</u>	<u>558,032</u>	<u>365,666</u>	<u>1,635,275</u>
FUND BALANCES				
Restricted For:				
Roads				
Capital Projects	16,046,516			
Debt Service				94,024
Committed For:				
Recreation and Culture	41,480			
Debt Service	27,654			539,770
Assigned To:				
Protection to Persons and Property			365,666	
General Health and Sanitation	30,912			
Social Services	36,314			
Roads		558,032		
Debt Service				1,001,481
Unassigned	<u>10,122,982</u>			
Total Fund Balances	<u>\$ 26,305,858</u>	<u>\$ 558,032</u>	<u>\$ 365,666</u>	<u>\$ 1,635,275</u>

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

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**DAVISS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

DAVISS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
REVENUES			
Taxes	14,893,851		
In Lieu Tax Payments	1,410		
Excess Fees	859,882		
Licenses and Permits	193,479		
Intergovernmental	3,048,039	2,185,398	4,204,915
Charges for Services	118,718		352,460
Miscellaneous	749,001	3,619	405,379
Interest	512,731	4,143	13,088
Total Revenues	<u>20,377,111</u>	<u>2,193,160</u>	<u>4,975,842</u>
EXPENDITURES			
General Government	9,083,152		
Protection to Persons and Property	3,366,185		6,390,448
General Health and Sanitation	517,121		
Social Services	292,607		
Recreation and Culture	1,742,601		
Roads		3,287,825	
Airports	233,293		
Bus Services	231,600		
Debt Service	331,234		
Capital Projects	172,615		
Administration	1,051,831	457	2,538
Total Expenditures	<u>17,022,239</u>	<u>3,288,282</u>	<u>6,392,986</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,354,872</u>	<u>(1,095,122)</u>	<u>(1,417,144)</u>
Other Financing Sources (Uses)			
Bond Proceeds			
Premium on Bond Issuance			
Bond Fees			
Lease Principal Refinanced			
Transfers From Other Funds		1,000,000	1,600,000
Transfers To Other Funds	(4,765,777)		(428,635)
Total Other Financing Sources	<u>(4,765,777)</u>	<u>1,000,000</u>	<u>1,171,365</u>
Net Change in Fund Balances	(1,410,905)	(95,122)	(245,779)
Fund Balances - Beginning (Restated)	27,716,763	653,154	611,445
Fund Balances - Ending	<u>26,305,858</u>	<u>558,032</u>	<u>365,666</u>

The accompanying notes are an integral part of the financial statements

DAVISS COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

<u>County Bond Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
		14,893,851
		1,410
		859,882
		193,479
	1,441,632	10,879,984
		471,178
		1,157,999
4,938	2,416	537,316
<u>4,938</u>	<u>1,444,048</u>	<u>28,995,099</u>
		9,083,152
		9,756,633
		517,121
		292,607
		1,742,601
	519,595	3,807,420
		233,293
		231,600
3,231,406	664,799	4,227,439
		172,615
1,349		1,056,175
<u>3,232,755</u>	<u>1,184,394</u>	<u>31,120,656</u>
<u>(3,227,817)</u>	<u>259,654</u>	<u>(2,125,557)</u>
5,285,000		5,285,000
24,408		24,408
(36,005)		(36,005)
(5,580,000)		(5,580,000)
3,310,343		5,910,343
		(5,194,412)
<u>3,003,746</u>		<u>409,334</u>
(224,071)	259,654	(1,716,223)
<u>1,859,346</u>	<u>1,908,719</u>	<u>32,749,427</u>
<u><u>1,635,275</u></u>	<u><u>2,168,373</u></u>	<u><u>31,033,204</u></u>

The accompanying notes are an integral part of the financial statements

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**DAVISS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

DAVISS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

Reconciliation to the Statement of Activities:

Net Change In Fund Balances - Total Governmental Funds	\$ (1,716,223)
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:	
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Book Value - Disposed Assets	(55,064)
Capital Outlay	1,030,575
Depreciation Expense	(4,762,146)
Payment on Receivables Provide Current Financial Resources to Governmental Funds, While at the Government-wide Level, A Reduction of the Receivable Occurs. This Transaction Has no Effect on Net Assets.	
Receivable Receipts	(195,000)
Internal Service Funds Are Used By Management To Charge The Cost Of Health Insurance To Individual Funds. The Net Revenues (Expenses) Of This Fund Are Reported With Governmental Activities.	20,361
The Issuance Of Long Term Debt Provides Current Financial Resources To Governmental Funds While Repayment Consumes The Current Financial Resources. These Transactions Have No Effect On Net Assets.	
Financing Obligation Proceeds	(5,285,000)
Financing Obligation Principal Payments	5,904,824
Bond Principal Payment	<u>1,482,129</u>
Change in Net Assets of Governmental Activities	<u>\$ (3,575,544)</u>

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DAVISS COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2011

DAVISS COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental
	Jail Canteen Fund	Solid Waste Fund	Totals	Activities Internal Service Fund - Health Insurance Fund
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 128,824	\$ 8,662,852	\$ 8,791,676	\$ 122,460
Total Current Assets	<u>128,824</u>	<u>8,662,852</u>	<u>8,791,676</u>	<u>122,460</u>
Noncurrent Assets:				
Capital Assets:				
Land		316,250	316,250	
Land Improvements		10,784,197	10,784,197	
Buildings		584,197	584,197	
Vehicles and Equipment	161,733	6,331,738	6,493,471	
Less Accumulated Depreciation	(124,286)	(13,356,600)	(13,480,886)	
Total Noncurrent Assets	<u>37,447</u>	<u>4,659,782</u>	<u>4,697,229</u>	
Total Assets	<u>166,271</u>	<u>13,322,634</u>	<u>13,488,905</u>	<u>122,460</u>
Liabilities				
Current Liabilities:				
Bonds Payable		626,336	626,336	
Total Current Liabilities		<u>626,336</u>	<u>626,336</u>	
Noncurrent Liabilities:				
Bonds Payable		2,353,175	2,353,175	
Total Noncurrent Liabilities		<u>2,353,175</u>	<u>2,353,175</u>	
Total Liabilities		<u>2,979,511</u>	<u>2,979,511</u>	
Net Assets				
Invested in Capital Assets, Net of Related Debt	37,447	1,680,271	1,717,718	
Restricted For:				
Post-Closure Care Costs		6,651,302	6,651,302	
Jail Canteen	128,824		128,824	
Unrestricted		2,011,550	2,011,550	122,460
Total Net Assets	<u>\$ 166,271</u>	<u>\$ 10,343,123</u>	<u>\$ 10,509,394</u>	<u>\$ 122,460</u>

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

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**DAVISS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2011

DAVISS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds			Governmental
	Jail Canteen Fund	Solid Waste Fund	Totals	Internal Service Fund - Health Insurance Fund
Operating Revenues				
Canteen Receipts	\$ 497,390	\$	\$ 497,390	\$
Contributions				2,927,069
Litter Abatement		65,415	65,415	
Recycling Receipts		88,477	88,477	
Refunds/Reimbursements				351,218
Tipping Fees		5,264,860	5,264,860	
Total Operating Revenues	497,390	5,418,752	5,916,142	3,278,287
Operating Expenses				
Cost of Sales	368,965		368,965	
Children's Activity Center	1,651		1,651	
Depreciation Expense	3,749	854,001	857,750	
Educational and Recreational	105,107		105,107	
Personnel Costs		1,295,006	1,295,006	
Employee Benefits		692,082	692,082	
Contracted Services		237,656	237,656	
Supplies and Materials		814,448	814,448	
Other Charges		677,460	677,460	
Administration				445,203
Claims				2,812,750
Total Operating Expenses	479,472	4,570,653	5,050,125	3,257,953
Operating Income	17,918	848,099	866,017	20,334
Nonoperating Revenues (Expenses)				
Interest Income	696	192,624	193,320	27
Gain On Sale of Asset		19,856	19,856	
Inmate Pay from State	19,686		19,686	
Inmate Refunds	(19,686)		(19,686)	
Total Nonoperating Revenues	696	212,480	213,176	27
Net Income Before Transfers and Contributions	18,614	1,060,579	1,079,193	20,361
Transfers and Contributions				
Contribution		617,871	617,871	
Transfers Out		(715,931)	(715,931)	
Total Transfers and Contributions		(98,060)	(98,060)	
Change In Net Assets	18,614	962,519	981,133	20,361
Total Net Assets - Beginning (Restated)	147,657	9,380,604	9,528,261	102,099
Total Net Assets - Ending	\$ 166,271	\$ 10,343,123	\$ 10,509,394	\$ 122,460

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

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DAVISS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

DAVISS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2011

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Jail Canteen Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u>	<u>Internal Service Fund - Health Insurance Fund</u>
Cash Flows From Operating Activities				
Receipts From Customers	\$ 497,390	\$ 5,418,752	\$ 5,916,142	\$
Children's Activity Center	(1,651)		(1,651)	
Cost of Sales	(368,965)		(368,965)	
Educational and Recreational	(105,107)		(105,107)	
Personnel Costs		(1,295,006)	(1,295,006)	
Employee Benefits		(692,082)	(692,082)	
Contracted Services		(237,656)	(237,656)	
Supplies and Materials		(814,448)	(814,448)	
Other Charges		(677,460)	(677,460)	
Health Insurance Expenses				(3,257,953)
Health Insurance Contributions				3,278,287
Net Cash Provided By Operating Activities	<u>21,667</u>	<u>1,702,100</u>	<u>1,723,767</u>	<u>20,334</u>
Cash Flows From Noncapital Financing Activities				
Transfers To Other Funds		(715,931)	(715,931)	
Net Cash Provided By Noncapital Financing Activities		<u>(715,931)</u>	<u>(715,931)</u>	
Cash Flows From Capital and Related Financing Activities				
Disposal of Capital Assets		40,401	40,401	
Capital Assets Purchased		(804,093)	(804,093)	
Net Cash (Used) By Capital and Related Financing Activities		<u>(763,692)</u>	<u>(763,692)</u>	

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

DAVIESS COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2011
(Continued)

	Business-Type Activites - Enterprise Funds			Governmental
	Jail Canteen Fund	Solid Waste Fund	Totals	Activities Internal Service Fund - Health Insurance Fund
Cash Flows From Investing Activities				
Interest Earned	\$ 696	\$ 192,624	\$ 193,320	\$ 27
Net Cash Provided By Investing Activities	696	192,624	193,320	27
Net Increase in Cash and Cash Equivalents	22,363	415,101	437,464	20,361
Cash and Cash Equivalents - July 1, 2010	106,461	8,247,751	8,354,212	102,099
Cash and Cash Equivalents - June 30, 2011	<u>128,824</u>	<u>8,662,852</u>	<u>8,791,676</u>	<u>122,460</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	17,918	848,099	866,017	20,334
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities - Depreciation Expense	3,749	854,001	857,750	
Total Cash Provided (Used) By Operating Activities	<u>\$ 21,667</u>	<u>\$ 1,702,100</u>	<u>\$ 1,723,767</u>	<u>\$ 20,334</u>

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

DAVISS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS-MODIFIED CASH BASIS

June 30, 2011

DAVISS COUNTY
STATEMENT OF FIDUCIARY NET ASSETS-MODIFIED CASH BASIS

June 30, 2011

	<u>Combined Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ <u>223,937</u>
Total Assets	<u><u>223,937</u></u>
Liabilities	
Amounts Held In Custody For Others	<u>223,937</u>
Total Liabilities	\$ <u><u>223,937</u></u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	38
NOTE 2.	DEPOSITS	45
NOTE 3.	RECEIVABLE – AUDUBON AREA COMMUNITY SERVICES INC.	45
NOTE 4.	CAPITAL ASSETS	46
NOTE 5.	INTERFUND TRANSACTIONS	48
NOTE 6.	LONG-TERM DEBT	48
NOTE 7.	INTEREST ON LONG-TERM DEBT	56
NOTE 8.	LANDFILL CLOSURE AND POST-CLOSURE COSTS	56
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM.....	57
NOTE 10.	DEFERRED COMPENSATION	58
NOTE 11.	INSURANCE.....	59
NOTE 12.	SELF-INSURANCE	59
NOTE 13.	ESTIMATED INFRASTRUCTURE HISTORICAL COST.....	59
NOTE 14.	PRIOR PERIOD ADJUSTMENTS	60
NOTE 15.	CHANGE IN ACCOUNTING PRINCIPLE	61

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The County presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Daviess County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

Daviess County Public Improvement Corporation

The Daviess County Fiscal Court appoints the Public Improvement Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Improvement Corporation. Financial information for the Public Improvement Corporation is blended within Daviess County's financial statements. All activities of the Public Improvement Corporation are accounted for within a non-major (debt service) fund.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Kentucky law provides for election of the officials below from the geographic area constituting Daviess County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

Additional Daviess County Elected Officials

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

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

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is 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 expenditures 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 revenue for this fund are reimbursements from the state and federal government, and 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 expenditures separately from the General Fund.

County 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.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund and the Daviess County Public Improvement Corporation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Funds:

The County Bond Sinking Fund and Daviess County Public Improvement Corporation Fund are presented as debt service funds. Debt service funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are charges to customers for sales in the Jail Canteen Fund and charges to customers for tipping fees in the Solid Waste Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

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

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds are used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

The primary government reports the following fiduciary accounts:

Road Escrow Account - This fund accounts for funds received from road bonds and held until the bonds are released.

Midwestern Gas Transmission Account - This fund accounts for an excessive weight bond held for Midwestern Gas Transmission until the bond is released.

Jail Inmate Account - This fund is a custodial fund for inmates in the Daviess County Detention Center.

Jail Escrow Account - This fund contains unclaimed funds of previous inmates of the Daviess County Detention Center.

D. Deposits and Investments

The government's cash and cash equivalents are 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.

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

E. 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 in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

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

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and financing obligations are reported.

In the fund financial statements, governmental fund types recognize 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 expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (Continued)

For resources considered assigned, the county has designated the County Treasurer to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

I. Interfund Transactions

The Daviess County Fiscal Court has the following type of interfund transactions.

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 5. Note that at the entity-wide level, the interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Related Organizations and Joint Ventures

Related 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 Daviess County Fiscal Court: Owensboro-Daviess County Library, Owensboro-Daviess County Board of Health, Daviess County Extension, West Daviess Water District, and South East Daviess Water District.

Joint Venture

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 upon these criteria, the following is considered a joint venture of the Daviess County Fiscal Court: Owensboro-Daviess County Airport, Paradise Park Industrial Authority, Owensboro-Daviess County Industrial Authority, and Bluegrass Crossings Industrial Authority.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The primary government and its discretely presented component units do not have deposit policies for custodial credit risk but rather follow the requirements of KRS 41.240(4). As of June 30, 2011, the primary government's public funds were covered by FDIC insurance or pledged securities and a properly executed collateral security agreement.

Note 3. Receivable – Audubon Area Community Services Inc.

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

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 3. Receivable – Audubon Area Community Services Inc. (Continued)

The Corporation and AACSI have entered into a lease, dated December 1, 2007, whereby the AACSI makes semi-annual payments directly to the Public Improvement Corporation to fully fund the debt service for the bond issue. The receivable reflects the principal amount due from the AACSI of \$5,160,000 outstanding as of June 30, 2011. The amount receivable corresponds to the AACSI liability outstanding as of the end of the fiscal year.

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 112,556	\$	\$ (112,556)	\$
Land	4,543,726			4,543,726
Total Capital Assets Not Being Depreciated	4,656,282		(112,556)	4,543,726
Capital Assets, Being Depreciated:				
Land Improvements	3,632,905			3,632,905
Buildings	34,634,387	112,556		34,746,943
Vehicles and Equipment	9,814,174	305,484	(550,646)	9,569,012
Infrastructure	107,293,413	725,091		108,018,504
Total Capital Assets Being Depreciated	155,374,879	1,143,131	(550,646)	155,967,364
Less Accumulated Depreciation For:				
Land Improvements	(531,163)	(146,942)		(678,105)
Buildings	(9,350,568)	(774,572)		(10,125,140)
Vehicles and Equipment	(7,286,372)	(566,157)	495,582	(7,356,947)
Infrastructure	(71,500,338)	(3,274,475)		(74,774,813)
Total Accumulated Depreciation	(88,668,441)	(4,762,146)	495,582	(92,935,005)
Total Capital Assets, Being Depreciated, Net	66,706,438	(3,619,015)	(55,064)	63,032,359
Governmental Activities Capital Assets, Net	<u>\$ 71,362,720</u>	<u>\$ (3,619,015)</u>	<u>\$ (167,620)</u>	<u>\$ 67,576,085</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2011 was as follows: (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government: (Continued)				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 1,855,086	\$	\$ (1,855,086)	\$
Land	316,250			316,250
Total Capital Assets Not Being Depreciated	2,171,336		(1,855,086)	316,250
Capital Assets, Being Depreciated:				
Land Improvements	8,540,820	2,243,377		10,784,197
Buildings	584,197			584,197
Vehicles and Equipment	6,283,110	415,802	(205,442)	6,493,470
Total Capital Assets Being Depreciated	15,408,127	2,659,179	(205,442)	17,861,864
Less Accumulated Depreciation For:				
Land Improvements	(8,428,909)	(409,176)		(8,838,085)
Buildings	(204,253)	(13,277)		(217,530)
Vehicles and Equipment	(4,174,870)	(435,297)	184,897	(4,425,270)
Total Accumulated Depreciation	(12,808,032)	(857,750)	184,897	(13,480,885)
Total Capital Assets, Being Depreciated, Net (Restated)	2,600,095	1,801,429	(20,545)	4,380,979
Business-Type Activities Capital Assets, Net (Restated)	\$ 4,771,431	\$ 1,801,429	\$ (1,875,631)	\$ 4,697,229

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 392,500
Protection to Persons and Property	671,162
Recreation and Culture	209,752
Roads, Including Depreciation of General Infrastructure Assets	3,488,732
Total Depreciation Expense - Governmental Activities	\$ 4,762,146

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 4. Capital Assets (Continued)

<u>Business-Type Activities</u>	
Jail Canteen	\$ 3,749
Solid Waste Operations	<u>854,001</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 857,750</u>

Note 5. Interfund Transactions

The table below shows the interfund operating transfers for fiscal year 2011.

	<u>Governmental Activities</u>		<u>Business</u>	<u>Total</u>
	<u>General</u>	<u>Jail</u>	<u>Type</u>	
			<u>Activities</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Solid</u>	<u>Transfers In</u>
			<u>Waste</u>	
			<u>Fund</u>	
Road Fund	\$ 1,000,000	\$	\$	\$ 1,000,000
Jail Fund	1,600,000			1,600,000
Bond Fund	<u>2,165,777</u>	<u>428,635</u>	<u>715,931</u>	<u>3,310,343</u>
Total Transfers Out	<u>\$ 4,765,777</u>	<u>\$ 428,635</u>	<u>\$ 715,931</u>	<u>\$ 5,910,343</u>

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1994A

The Daviess County Public Improvement Corporation entered into a bond issue on July 1, 1994 for the purpose of 1) paying the entire principal and interest of the Daviess County, Kentucky Judicial Center Building and Improvement Revenue Bonds, Series 1989 (the "Prior Bonds"); 2) to fund a Debt Service Reserve Fund; 3) to pay for the costs of issuance of Bonds; and 4) to pay for certain costs of equipment to be purchased by the County. The Corporation and Daviess County have entered into an annually renewable lease, dated as of July 1, 1994, wherein the County leases from the Corporation the project and project site. In addition, the Bonds are secured by a foreclosable first mortgage lien on the project pursuant to the Mortgage Deed of Trust, (the "Mortgage") and by the assignment by the Corporation of all of the Corporation's right, title, and interest to the Lease with the County.

The Daviess County Public Improvement Corporation First Mortgage Refunding and Revenue Bonds, Series 1994A were issued July 1, 1994, for \$4,270,000. The Daviess County Public Improvement Corporation entered into a sublease with the Administrative Office of the Courts (AOC), whereby the AOC makes semi-annual payments directly to the bonding agent to partially fund the debt service for the bond issue.

Interest on the bonds is payable each April 1 and October 1, beginning October 1, 1994. The bonds will mature as to principal on October 1, 2014. The principal amount of bonds outstanding as of June 30, 2011 was \$885,000. Future principal and interest requirements are:

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

A. First Mortgage Refunding Revenue Bonds, Series 1994A (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 165,000	\$ 45,681
2013	175,000	36,053
2014	190,000	25,650
2015	355,000	10,118
Totals	<u>\$ 885,000</u>	<u>\$ 117,502</u>

B. General Obligation Public Project Refunding and Improvement Bonds, Series 2003A

The County of Daviess entered into a bond issue, County of Daviess, Kentucky General Obligation Public Project Refunding and Improvement Bonds, Series 2003A dated on September 1, 2003 for the purpose of (i) financing the acquisition, and installation of an operations complex for the County (the "Operations Complex Project"), (ii) currently refunding and retiring a Lease Agreement dated as of January 21, 2002 (the "Prior Lease") between the County and the Kentucky Association of Counties Leasing Trust, the proceeds of which were used to finance on an interim basis the costs of the acquisition, construction, and installation of a detention facility for the County (the "Detention Facility Project," and together with the Operations Complex Project, the "Series 2003A Project") and (iii) paying costs of issuing the Series A Bonds. The issue amount of the bonds was \$8,720,000. Interest on the bonds will be payable from September 1, 2003, on March 1 and September 1, commencing March 1, 2004, and the Series A Bonds mature each September thereafter. The principal outstanding as of June 30, 2011, was \$7,015,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 270,000	\$ 290,127
2013	280,000	280,327
2014	290,000	269,815
2015	305,000	258,659
2016	315,000	246,640
2017-2021	1,780,000	1,028,360
2022-2026	2,200,000	608,316
2027-2029	1,575,000	108,561
Totals	<u>\$ 7,015,000</u>	<u>\$ 3,090,805</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

C. General Obligation Public Project Bonds, Series 2003B

The County of Daviess entered into a bond issue, County of Daviess, Kentucky General Obligation Public Project Bonds, Series 2003B (Transient Room Tax Supported Project) dated on September 1, 2003 for the purpose of (i) financing the acquisition, construction and installation of improvements to the Owensboro Museum of Fine Art and the Owensboro Riverpark Center (the "Series 2003B Project") and (ii) paying the costs of issuing the Series B Bonds. The issue amount of the bonds was \$2,270,000. Interest on the bonds will be payable from September 1, 2003, on March 1 and September 1 commencing March 1, 2004, and the Series B Bonds mature each September thereafter. The principal outstanding as of June 30, 2011, was \$1,820,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 70,000	\$ 75,875
2013	75,000	73,516
2014	75,000	70,938
2015	80,000	68,176
2016	80,000	65,226
2017-2021	460,000	274,202
2022-2026	575,000	162,321
2027-2029	405,000	28,555
Totals	<u>\$ 1,820,000</u>	<u>\$ 818,809</u>

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

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

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

Interest on the bonds is payable each January 1 and July 1, beginning July 1, 2008. The bonds will mature as to principal on January 1, 2028. The principal amount of bonds outstanding as of June 30, 2011 was \$5,160,000. Future principal and interest requirements are:

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

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

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 205,000	\$ 245,715
2013	215,000	235,977
2014	225,000	225,765
2015	235,000	215,077
2016	245,000	203,915
2017-2021	1,410,000	833,849
2022-2026	1,785,000	464,774
2027-2029	840,000	60,960
Totals	<u>\$ 5,160,000</u>	<u>\$ 2,486,032</u>

E. General Obligation Public Projects Bonds, Series 1999

The Fiscal Court issued obligations, dated March 1, 1999, with interest payable beginning on October 1, 1999, and semiannually thereafter on April 1 and October 1 at varying rates from 4.00% to 4.375%.

The bonds were issued by the County to 1) provide funds to retire the outstanding County of Daviess, Kentucky, Series 1996 Solid Waste System Revenue Bond Anticipation Notes and 2) paying certain costs related to the issuance of the bonds. The proceeds of the notes were used to provide for construction and equipment acquisition related to the County's Phase II for development of the County's Solid Waste Landfill, which have been determined to be "public projects" under the ordinance in accordance with KRS 66.011(17). The bonds were refunded with the proceeds of the Series 2010 General Obligation Bond issue.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

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

The County of Daviess entered into a bond issue, County of Daviess, Kentucky Taxable General Obligation Build America Bonds, Taxable General Obligation Recovery Zone Economic Development Bonds and General Obligation Refunding Bonds, Series 2010 dated on January 12, 2010. The Tax-Exempt Bonds are being issued for the purpose of (i) currently refunding the outstanding principal amount of the County's General Obligation Public Project Bonds, Series 1999 (Solid Waste System Project) (the "Series 1999 Bonds"), the proceeds of which were used to finance improvements to the County's solid waste system (the "1999 Project"); and (ii) paying the costs of issuing the Tax-Exempt Bonds. The Taxable Bonds are being issued for the purpose of (i) financing the acquisition, construction and installation of additional improvements to the County's solid waste system (the "Solid Waste Project"); (ii) financing the acquisition of real property and the construction, installation and equipping of a convention center (the "Convention Center Project," and together with the 1999 Project and the Solid Waste Project, the "Project"); and (iii) paying the costs of issuing the Taxable Bonds. The issue amount of the bonds was \$24,105,000. The Taxable Bonds shall be dated their date of delivery and bear interest at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, commencing August 1, 2010. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively. The Tax-Exempt Bonds shall be dated their date of delivery and bear interest at the rates set forth on the cover hereof, payable semi-annually on April 1 and October 1, commencing April 1, 2010. The record dates for April 1 and October 1 interest payment dates shall be the preceding March 15 and September 15, respectively. Interest on the Build America Bonds will range from 4.50% to 4.80%, interest on the Recovery Zone Economic Development Bonds will be 5.80% and interest on the refunding bonds will be 2.0%, the agreement is to be paid in full by April 1, 2030. The principal outstanding as of June 30, 2011, was \$22,420,000. Future principal and interest requirements are:

Landfill Improvements

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 331,336	\$ 69,180
2013	335,643	62,554
2014	341,370	53,742
2015	348,581	42,648
2016	356,511	30,448
2017	366,070	15,742
	<u>\$ 2,079,511</u>	<u>\$ 274,314</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

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

Convention Center Project

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 803,664	\$ 846,726
2013	814,357	830,652
2014	828,630	809,276
2015	846,419	782,345
2016	868,489	752,720
2017-2021	4,708,930	3,179,804
2022-2026	5,475,000	2,009,170
2027-2029	4,115,000	512,295
	<u>\$ 18,460,489</u>	<u>\$ 9,722,988</u>

Landfill Refunding

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 295,000	\$ 18,000
2013	300,000	12,100
2014	305,000	6,100
	<u>\$ 900,000</u>	<u>\$ 36,200</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

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

Convention Center Recovery Zone

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$	\$ 56,840
2013		56,840
2014		56,840
2015		56,840
2016		56,840
2017-2021		284,200
2022-2026		284,200
2027-2029	980,000	227,360
	<u>\$ 980,000</u>	<u>\$ 1,079,960</u>

G. General Obligation Refunding Bonds, Series 2010D

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

The bonds shall bear interest varying from 1.25% to 3.5% and are payable semi-annually on April 1, and October 1. The principal outstanding as of June 30, 2011, was \$5,285,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 480,000	\$ 126,588
2013	490,000	119,913
2014	495,000	112,525
2015	505,000	103,762
2016	515,000	92,919
2017-2021	2,800,000	233,694
	<u>\$ 5,285,000</u>	<u>\$ 789,401</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt

H. Airport

The Daviess County Fiscal Court entered into a sublease agreement with the City of Owensboro, Kentucky for the purpose of funding debt service – Airport Revenue Bonds – related to the expansion of the Owensboro-Daviess County Airport. The sublease was entered into on June 1, 1995. Under the terms of the sublease agreement, the County agreed to lease certain airport servitude aviation easements and other property and improvements for one half of the base rentals. The County's portion was subsequently reduced to 42.34%. Any additional rentals are due to be paid by the City of Owensboro, Kentucky under its sublease agreement. During the fiscal year ended June 30, 2009 the City of Owensboro refinanced the bonds relating to this project. The County entered into a new sublease agreement with the City of Owensboro which reduced the County's percentage of the debt to 42.24%. The County's share of principal on the retired bonds was \$1,375,000. The County's share of principal on the new bonds was \$1,077,120 at the time of issue. This resulted in a decrease in debt of \$297,880. As of June 30, 2011 the lease agreement outstanding was \$477,312. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2012	\$ 111,936	\$ 18,030
2013	118,272	13,888
2014	120,384	9,454
2015	126,720	4,879
Totals	<u>\$ 477,312</u>	<u>\$ 46,251</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 6. Long-term Debt (Continued)

I. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 30,447,618		\$ 1,287,129	\$ 29,160,489	\$ 1,308,664
Revenue Bonds	5,355,000		195,000	5,160,000	205,000
Refunding Bonds		5,285,000		5,285,000	480,000
Financing Obligations	6,382,136		5,904,824	477,312	111,936
Governmental Activities Long-term Liabilities	<u>\$ 42,184,754</u>	<u>\$ 5,285,000</u>	<u>\$ 7,386,953</u>	<u>\$ 40,082,801</u>	<u>\$ 2,105,600</u>
<u>Business-type Activities:</u>					
General Obligation Bonds	\$ 2,407,382		\$ 327,871	\$ 2,079,511	\$ 331,336
Refunding Bonds	1,190,000		290,000	900,000	295,000
Business-type Activities Long-term Liabilities	<u>\$ 3,597,382</u>	<u>\$</u>	<u>\$ 617,871</u>	<u>\$ 2,979,511</u>	<u>\$ 626,336</u>

Note 7. Interest On Long-Term Debt

Debt Service on the Statement of Activities includes \$1,818,244 in interest on financing obligations and general obligation bonds

Note 8. Landfill Closure and Post-Closure Costs

The County operates a landfill in West Louisville, Kentucky. The County must comply with established state and federal landfill operating, closure, and post-closure procedures. The landfill opened in January 1996, with an estimated life of 21.67 years. The landfill was granted an expansion effective February 2004, which increased its estimated useful life to 50 years. As of May 3, 2011, the estimated remaining life of the landfill is 53.95 years. This increase in estimated life is due to compaction rates being better than projected in prior years. Revised estimated closure costs total \$6,150,204 and revised estimated post-closure care costs total \$2,475,000 or \$82,500 per year. Estimates are based upon 2002 projections, actual costs may be higher due to inflation, changes in technology, or changes in regulations.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 8. Landfill Closure and Post-Closure Costs (Continued)

Daviess County prepares required financial statements on the modified cash basis of accounting in accordance with the laws of Kentucky, therefore no liability has been recognized for the closure or post-closure care costs. State and federal laws and regulations require for the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court reserves a portion of the landfill receipts for landfill closure and post-closure care. For every ton deposited into the County's contained landfill, \$2 is transferred from the Solid Waste Operating Fund into the Solid Waste Closure Fund and \$1 is transferred into the Solid Waste Post-Closure Fund. At June 30, 2011, the Solid Waste Closure Fund had a balance of \$4,013,675 and the Solid Waste Post-Closure Fund had a balance of \$2,637,627.

Note 9. Employee Retirement System

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

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Non hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

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. The county's contribution rate for hazardous employees was 33.25 percent.

The county's contribution for FY 2009 was \$1,694,951, FY 2010 was \$1,831,619, and FY 2011 \$1,894,372.

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 (members age plus years of service credit must equal 87, and member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

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

CERS also provides post retirement health care coverage as follows:

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 9. Employee Retirement System (Continued)

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.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives 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.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 10. Deferred Compensation

On November 9, 1982, 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 supplementary 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 present 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 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 11. Insurance

For the fiscal year ended June 30, 2011, Daviess County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Self-Insurance

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. For employees hired prior to January 1, 2008 the county pays for 88% of each employees benefits and the employee contributes the remaining 12%; for employees hired after January 1, 2008 the county pays 85% of each employees benefits and the employee pays the remaining 15%. Daviess County elected to purchase a stop-loss insurance policy from Chubb Group of Insurance Companies to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Fixed costs for fiscal year ending June 30, 2011 were \$445,203. The second component is the claims cost, all of which Daviess County is responsible to pay as they incur. Once an individual exceeds \$75,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. Claims for fiscal year ended June 30, 2011 were \$2,812,750 Daviess County Fiscal Court's contract with Chubb Group of Insurance Companies has no terminal liability provision. The Court will be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$122,460 as of June 30, 2011.

Note 13. Estimated Infrastructure Historical Cost

Historical cost of infrastructure place in service prior to fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 14. Prior Period Adjustments

The prior year net assets ending balance has been restated for the following:

	Governmental Activities	
		<u>\$</u>
Net Assets Ending Balance Prior Year		66,233,891
General Fund Prior Year Voided Checks	\$ 532	
2007 Bond Sinking Fund Omitted	224,988	
2007 Bond Constructions Fund Omitted	505,147	
2007 Bond Debt Reserve Fund Omitted	445,871	
Flex Account Fund Balance Reclassed to Health Insurance Fund	17,901	
Public Properties 2007 Bonds Omitted	(5,355,000)	
Accounts Receivable -Audubon Area Omitted	5,355,000	
Capital Assets Omitted	34,774	
Accumulated Depreiciation Associated With Omitted Capital Assets	(28,192)	
Prior Year Asset Dispositions Omitted	(504,204)	
Accumulated Depreiciation Associated With Prior Asset Disposals	453,784	<u>1,150,601</u>
		<u>\$ 67,384,492</u>
Ending Fund Balance Prior Year		\$ 31,572,889
General Fund Prior Year Voided Checks	\$ 532	
2007 Bond Sinking Fund Omitted in Prior Year	224,988	
2007 Bond Constructions Fund Omitted in Prior Year	505,147	
2007 Bond Debt Reserve Fund Omitted in Prior Year	445,871	<u>1,176,538</u>
Endiing Fund Balance Prior Year Restated		<u>\$ 32,749,427</u>
	Business-Type Activities	
		<u>\$</u>
Net Assets Ending Balance Prior Year		9,569,199
Jail Commissary Fund Prior Year Voided Checks	\$ 15	
Prior Year Solid Waste Deposit In Transit Omitted	774	
Prior Year Asset Dispositions Omitted	(285,829)	
Accumulated Depreiciation Associated With Prior Asset Disposals	244,102	<u>(40,938)</u>
		<u>\$ 9,528,261</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2011
(Continued)

Note 14. Prior Period Adjustments (Continued)

Ending Fund Balance Prior Year	\$ 8,353,422
Jail Commissary Fund Prior Year Voided Checks	15
Prior Year Solid Waste Deposit In Transit Omitted	774
Rounding	<u>1</u>
Ending Fund Balance Prior Year Restated	<u><u>\$ 8,354,212</u></u>

Note 15. Change In Accounting Principle

The county implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet-Governmental Funds.

**DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2011

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information

For The Year Ended June 30, 2011

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 14,277,500	\$ 14,277,500	\$ 14,893,851	\$ 616,351
In Lieu Tax Payments	1,500	1,500	1,410	(90)
Excess Fees	700,000	700,000	859,882	159,882
Licenses and Permits	197,500	197,500	193,479	(4,021)
Intergovernmental	2,322,754	2,322,754	3,048,039	725,285
Charges for Services	63,000	63,000	118,718	55,718
Miscellaneous	168,650	168,650	749,001	580,351
Interest	200,000	200,000	512,731	312,731
Total Revenues	<u>17,930,904</u>	<u>17,930,904</u>	<u>20,377,111</u>	<u>2,446,207</u>
EXPENDITURES				
General Government	25,764,046	25,764,046	9,083,152	16,680,894
Protection to Persons and Property	3,591,000	3,591,000	3,366,185	224,815
General Health and Sanitation	548,950	548,950	517,121	31,829
Social Services	333,086	333,086	292,607	40,479
Recreation and Culture	1,926,201	1,926,201	1,742,601	183,600
Airports	233,302	233,302	233,293	9
Bus Services	300,000	300,000	231,600	68,400
Debt Service	509,800	509,800	331,234	178,566
Capital Projects	210,000	210,000	172,615	37,385
Administration	6,769,287	6,769,287	1,051,831	5,717,456
Total Expenditures	<u>40,185,672</u>	<u>40,185,672</u>	<u>17,022,239</u>	<u>23,163,433</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(22,254,768)</u>	<u>(22,254,768)</u>	<u>3,354,872</u>	<u>25,609,640</u>
OTHER FINANCING SOURCES				
Transfers To Other Funds	<u>(4,773,732)</u>	<u>(4,773,732)</u>	<u>(4,765,777)</u>	<u>7,955</u>
Total Other Financing Sources	<u>(4,773,732)</u>	<u>(4,773,732)</u>	<u>(4,765,777)</u>	<u>7,955</u>
Net Changes in Fund Balances	<u>(27,028,500)</u>	<u>(27,028,500)</u>	<u>(1,410,905)</u>	<u>25,617,595</u>
Fund Balances - Beginning (Restated)	<u>27,028,500</u>	<u>27,028,500</u>	<u>27,716,763</u>	<u>688,263</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 26,305,858</u>	<u>\$ 26,305,858</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,271,000	\$ 2,271,000	\$ 2,185,398	\$ (85,602)
Miscellaneous	27,500	27,500	3,619	(23,881)
Interest	2,000	2,000	4,143	2,143
Total Revenues	<u>2,300,500</u>	<u>2,300,500</u>	<u>2,193,160</u>	<u>(107,340)</u>
EXPENDITURES				
Roads	3,812,565	3,812,565	3,287,825	524,740
Administration	1,000	1,000	457	543
Total Expenditures	<u>3,813,565</u>	<u>3,813,565</u>	<u>3,288,282</u>	<u>525,283</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,513,065)</u>	<u>(1,513,065)</u>	<u>(1,095,122)</u>	<u>417,943</u>
OTHER FINANCING SOURCES				
Transfers From Other Funds	1,013,065	1,013,065	1,000,000	(13,065)
Total Other Financing Sources	<u>1,013,065</u>	<u>1,013,065</u>	<u>1,000,000</u>	<u>(13,065)</u>
Net Changes in Fund Balances	(500,000)	(500,000)	(95,122)	404,878
Fund Balances - Beginning	<u>500,000</u>	<u>500,000</u>	<u>653,154</u>	<u>153,154</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 558,032</u>	<u>\$ 558,032</u>

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2011
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,073,953	\$ 5,073,953	\$ 4,204,915	\$ (869,038)
Charges for Services	320,000	320,000	352,460	32,460
Miscellaneous	318,680	318,680	405,379	86,699
Interest	10,500	10,500	13,088	2,588
Total Revenues	<u>5,723,133</u>	<u>5,723,133</u>	<u>4,975,842</u>	<u>(747,291)</u>
EXPENDITURES				
Protection to Persons and Property	7,267,200	7,267,200	6,390,448	876,752
Administration	2,600	2,600	2,538	62
Total Expenditures	<u>7,269,800</u>	<u>7,269,800</u>	<u>6,392,986</u>	<u>876,814</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,546,667)</u>	<u>(1,546,667)</u>	<u>(1,417,144)</u>	<u>129,523</u>
OTHER FINANCING SOURCES				
Transfers To Other Funds	(439,000)	(439,000)	(428,635)	10,365
Transfers From Other Funds	1,610,667	1,610,667	1,600,000	(10,667)
Total Other Financing Sources	<u>1,171,667</u>	<u>1,171,667</u>	<u>1,171,365</u>	<u>(302)</u>
Net Changes in Fund Balances	(375,000)	(375,000)	(245,779)	129,221
Fund Balances - Beginning	<u>375,000</u>	<u>375,000</u>	<u>611,445</u>	<u>236,445</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 365,666</u>	<u>\$ 365,666</u>

DAVIESS COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting 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 expenditures 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. Expenditures may not exceed budgeted appropriations at the activity level.

DAVISS COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

DAVIESS COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Local Government Economic Assistance Fund	Daviess County Public Improvement Corporation Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 551,159	\$ 1,617,214	\$ 2,168,373
Total Assets	<u>551,159</u>	<u>1,617,214</u>	<u>2,168,373</u>
FUND BALANCES			
Restricted For:			
Roads	173,982		173,982
Debt Service		1,617,214	1,617,214
Assigned To:			
Roads	<u>377,177</u>		<u>377,177</u>
Total Fund Balances	<u>\$ 551,159</u>	<u>\$ 1,617,214</u>	<u>\$ 2,168,373</u>

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

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DAVISS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2011

DAVISS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2011

	Local Government Economic Assistance Fund	Daviess County Public Improvement Corporation Fund	Total Non-Major Governmental Funds
REVENUES			
Intergovernmental	\$ 837,562	\$ 604,070	\$ 1,441,632
Interest	2,371	45	2,416
Total Revenues	<u>839,933</u>	<u>604,115</u>	<u>1,444,048</u>
EXPENDITURES			
Roads	519,595		519,595
Debt Service		664,799	664,799
Total Expenditures	<u>519,595</u>	<u>664,799</u>	<u>1,184,394</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>320,338</u>	<u>(60,684)</u>	<u>259,654</u>
Net Change in Fund Balances	320,338	(60,684)	259,654
Fund Balances - Beginning	230,821	1,677,898	1,908,719
Fund Balances - Ending	<u>\$ 551,159</u>	<u>\$ 1,617,214</u>	<u>\$ 2,168,373</u>

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

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DAVIESS COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

DAVISS COUNTY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2011

	Agency Funds				
	Road Escrow Account	Midwestern Gas Transmission Account	Jail Inmate Account	Jail Escrow Account	Total Agency Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 7,292	\$ 148,683	\$ 62,523	\$ 5,439	\$ 223,937
Total Assets	7,292	148,683	62,523	5,439	223,937
Liabilities					
Amounts Held In Custody For Others	7,292	148,683	62,523	5,439	223,937
Total Liabilities	\$ 7,292	\$ 148,683	\$ 62,523	\$ 5,439	\$ 223,937

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

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

Other Supplementary Information

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2011

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-Through Kentucky Cabinet for Families and Children</i>			
93.563	Title IV-D Child Support Enforcement	1000005101 1 1100002241 1 **	\$ 508,418
Total U.S. Department of Health and Human Services			508,418
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs:</i>			
97.042	Emergency Management Performance Grants		54,400
Total U.S. Department of Homeland Security			54,400
<u>Department of Housing and Urban Development</u>			
<i>Passed-Through State Department for Local Government:</i>			
14.228	Community Development Block Grant/State's Program	05-024 **	592,025
Total U.S. Department of Housing and Urban Development			592,025
<u>U.S. Department of Justice</u>			
<i>Passed-Through State Department of Justice-ARRA:</i>			
16.575	Crime Victims Assistance		29,385
Total U.S. Department of Justice			29,385
<u>U.S. Department of Energy</u>			
<i>Passed-Through State Department of Energy-ARRA:</i>			
81.128	Energy Efficiency and Conservation Block Grant Program - Recovery -ARRA		47,854
Total U.S. Department of Energy			47,854
Total Expenditures of Federal Awards			\$ 1,232,082

**Tested as Major Program

DAVIESS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2011

Note 1 - Basis of Presentation

This schedule is presented on a modified cash basis of accounting.

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



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

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 Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of Daviess County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 9, 2012. Daviess County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit 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.

Internal Control Over Financial Reporting

The management of the Daviess County Fiscal Court is responsible to establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Daviess County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Daviess County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Daviess County Fiscal Court's internal control over financial reporting.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Daviess County's financial statements are free of material misstatements 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 is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

May 9, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

**Report On Compliance With Requirements
That Could Have A Direct and Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Independent Auditor's Report

Compliance

We have audited Daviess County, Kentucky's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Daviess County, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Daviess County's management. Our responsibility is to express an opinion on Daviess County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Daviess County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Daviess County's compliance with those requirements.

In our opinion, Daviess County complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of Daviess County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Daviess County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Daviess County's internal controls over compliance.



Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

May 9, 2012

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

For The Year Ended June 30, 2011

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

Fiscal Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Daviess County, Kentucky.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Daviess County were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Daviess County expresses an unqualified opinion.
6. There were no audit findings relative to the major federal awards programs for Daviess County reported in Part C of this schedule.
7. The programs tested as major programs were: Title IV-D Child Support Enforcement Program (CFDA 93.563) and Community Development Block Grants/State's Program (CFDA # 14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Daviess County was not determined to be a low-risk auditee.

B. FINDINGS– FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

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

DAVIESS COUNTY FISCAL COURT

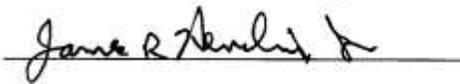
**For The Fiscal Year Ended
June 30, 2011**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
DAVISS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2011

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