

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

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



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

**Independent Auditor's Report**

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Graves County Fiscal Court, for the year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise the Graves County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

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

**Auditor's Responsibility**

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

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

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



To the People of Kentucky  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Graves County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Graves County Fiscal Court as of June 30, 2019, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Graves County Fiscal Court as of June 30, 2019, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Graves County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards (supplementary information), as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Schedule of Capital Assets (other information) are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
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Members of the Graves County Fiscal Court

**Other Matters (Continued)**

*Supplementary and Other Information (Continued)*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2022, on our consideration of the Graves County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Graves County Fiscal Court's internal control over financial reporting and compliance.

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

- 2019-001 The Graves County Fiscal Court Does Not Have Adequate Controls Over The Budget Process
- 2019-002 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer
- 2019-003 The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed
- 2019-004 The Graves County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Operations
- 2019-005 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds
- 2019-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

May 5, 2022

**GRAVES COUNTY OFFICIALS****For The Year Ended June 30, 2019****Fiscal Court Members:**

Jesse Perry	County Judge/Executive
Richie Galloway	Commissioner
Tyler Goodman	Commissioner
Todd Hayden	Commissioner

**Other Elected Officials:**

John Cunningham	County Attorney
George Workman	Jailer
Kimberly Gills	County Clerk
Emily Buzanis	Circuit Court Clerk
Jon Hayden	Sheriff
Howel Carr	Property Valuation Administrator
Brad Jones	Coroner

**Appointed Personnel:**

Codie Courtney	County Treasurer
Debbie Buck	County Finance Officer



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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 4,144,059	\$	\$
In Lieu Tax Payments	122,757		
Excess Fees	242,638		
Licenses and Permits	106,058		
Intergovernmental	2,518,498	3,759,326	1,159,600
Charges for Services			8,436
Miscellaneous	145,631	830,369	71,779
Interest	9,995	8,671	1,281
Total Receipts	<u>7,289,636</u>	<u>4,598,366</u>	<u>1,241,096</u>
<b>DISBURSEMENTS</b>			
General Government	4,538,625		
Protection to Persons and Property	625,786		2,221,270
General Health and Sanitation	116,000		
Social Services	50,543		
Recreation and Culture	77,351		
Roads		3,989,252	
Airports	1,427		
Debt Service	19,188	67,488	
Capital Projects	85,631		
Administration	465,918	337,376	422,425
Total Disbursements	<u>5,980,469</u>	<u>4,394,116</u>	<u>2,643,695</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,309,167</u>	<u>204,250</u>	<u>(1,402,599)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Changes in Payroll Revolving Account	61,136		
Transfers From Other Funds	600,000	649,000	1,386,000
Transfers To Other Funds	(2,045,600)	(600,000)	
Total Other Adjustments to Cash (Uses)	<u>(1,384,464)</u>	<u>49,000</u>	<u>1,386,000</u>
Net Change in Fund Balance	(75,297)	253,250	(16,599)
Fund Balance - Beginning (Restated)	<u>760,543</u>	<u>183,121</u>	<u>54,779</u>
Fund Balance - Ending	<u>\$ 685,246</u>	<u>\$ 436,371</u>	<u>\$ 38,180</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 662,040	\$ 475,941	\$ 55,806
Payroll Revolving Account Reconciled Balance	76,972		
Plus: Deposits In Transit	19,436		
Less: Outstanding Checks	(73,202)	(39,570)	(17,626)
Fund Balance - Ending	<u>\$ 685,246</u>	<u>\$ 436,371</u>	<u>\$ 38,180</u>

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

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

<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
<b>Local</b>			
<b>Government</b>			
<b>Economic</b>		<b>Jail</b>	
<b>Assistance</b>		<b>Commissary</b>	
<b>Fund</b>	<b>DES</b>	<b>Fund</b>	<b>Total</b>
	<b>Fund</b>		<b>Funds</b>
\$	\$	\$	\$ 4,144,059
			122,757
			242,638
			106,058
17,098	20,745		7,475,267
			8,436
		94,180	1,141,959
138	18	4	20,107
<u>17,236</u>	<u>20,763</u>	<u>94,184</u>	<u>13,261,281</u>
			4,538,625
	39,404		2,886,460
			116,000
			50,543
		101,782	179,133
			3,989,252
			1,427
			86,676
			85,631
	7,346		1,233,065
	<u>46,750</u>	<u>101,782</u>	<u>13,166,812</u>
<u>17,236</u>	<u>(25,987)</u>	<u>(7,598)</u>	<u>94,469</u>
			61,136
	27,600		2,662,600
(17,000)			(2,662,600)
<u>(17,000)</u>	<u>27,600</u>		<u>61,136</u>
236	1,613	(7,598)	155,605
43	63	47,347	1,045,896
<u>\$ 279</u>	<u>\$ 1,676</u>	<u>\$ 39,749</u>	<u>\$ 1,201,501</u>
\$ 279	\$ 1,676	\$ 39,749	\$ 1,235,491
			76,972
			19,436
			(130,398)
<u>\$ 279</u>	<u>\$ 1,676</u>	<u>\$ 39,749</u>	<u>\$ 1,201,501</u>

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

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**GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2019**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Graves County includes all budgeted and unbudgeted funds under the control of the Graves County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

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

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

DES Fund - The primary purpose of this fund is to account for the emergency management expenses of the county. The primary source of receipts for this fund is the state government.

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

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

**D. Budgetary Information**

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

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

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

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Graves County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Graves County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Graves County Fiscal Court.

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

**F. Deposits and Investments**

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

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

**G. Long-term Obligations**

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

**H. Related Obligations, Joint Ventures, and Jointly Governed Organizations**

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

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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Related Obligations, Joint Ventures, and Jointly Governed Organizations (Continued)**

Mayfield-Graves County Tourism  
 Mayfield-Graves County Senior Citizens  
 Graves County Water District  
 Symsonia Water District  
 Graves County Public Library  
 Graves County Conservation District  
 Mayfield-Graves County Airport

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

Mayfield-Graves County Parks &Recreations  
 Mayfield-Graves County Ambulance Service

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

Mayfield-Graves County Industrial Development  
 Graves County Economic Development Authority

**Note 2. Deposits**

The fiscal court-maintained deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2019, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



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

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2019.

	General Fund	Road Fund	LGEA Fund	Total Transfers In
General Fund	\$	\$ 600,000	\$	\$ 600,000
Road Fund	632,000		17,000	649,000
Jail Fund	1,386,000			1,386,000
DES Fund	27,600			27,600
Total Transfers Out	<u>\$ 2,045,600</u>	<u>\$ 600,000</u>	<u>\$ 17,000</u>	<u>\$ 2,662,600</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Custodial Funds**

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

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2019, of \$3,357, is included the jail commissary fund balance of \$39,749.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Caterpillar Financial - Tractor and Side Boom**

On June 9, 2017, the Graves County Fiscal Court entered into a lease agreement with Caterpillar Financial for the purpose of purchasing a tractor and side boom. The principal amount was \$114,536 at an effective interest of 3.19 percent for three years. The tractor and side boom are pledged as collateral. Upon an event of default, Caterpillar Financial may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the fiscal court and/or Caterpillar Financial may repossess the units by giving the fiscal court written notice to deliver the units to Caterpillar Financial, or in the event the fiscal court fails to do so within ten days after receipt of such notice, and subject to all applicable laws, Caterpillar Financial may enter upon the fiscal courts premises and take possession of the units.

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Caterpillar Financial - Tractor and Side Boom (Continued)**

As of June 30, 2019, the outstanding lease principal was \$55,294. Future principal and interest requirements were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 55,294	\$ 1,174
Totals	<u>\$ 55,294</u>	<u>\$ 1,174</u>

**2. Caterpillar Financial - Excavator**

On January 1, 2017, the Graves County Fiscal Court entered into a lease agreement with Caterpillar Financial for the purpose of purchasing an excavator for the road department. The principal on the lease is \$226,853 with repayment to be made over 60 months with a final balloon payment of \$67,820 due at the maturity of the lease with interest set at 2.89%. The excavator is pledged as collateral. Upon an event of default, Caterpillar Financial may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the fiscal court and/or Caterpillar Financial may repossess the units by giving the fiscal court written notice to deliver the units to Caterpillar Financial, or in the event the fiscal court fails to do so within ten days after receipt of such notice, and subject to all applicable laws, Caterpillar Financial may enter upon the fiscal courts premises and take possession of the units. As of June 30, 2019, the lease principal was \$168,632. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2020	\$ 31,781	\$ 4,478
2021	32,711	3,547
2022	33,670	2,589
2023	<u>70,470</u>	<u>239</u>
Totals	<u>\$ 168,632</u>	<u>\$ 10,853</u>

**3. Kess Creek Park Land**

On January 1, 2018, the Graves County Fiscal Court entered into a financing agreement with Community Financial Bank for the purpose of purchasing 17.92 acres for the creation of Kess Creek Park with an Interlocal Agreement with the City of Mayfield supporting 50% of the \$179,200 cost. The principal of the lease is \$90,050 with repayment to be made over 5 years with an interest rate at 2.12%. Upon default, including failure to pay upon final maturity, the total sum due under this note will continue to accrue interest at the same interest rate under this note.

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

**Note 5. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**3. Kess Creek Park Land (Continued)**

As of June 30, 2019, the note principal was \$72,797. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2020	\$ 17,624	\$ 1,565
2021	17,999	1,189
2022	18,389	799
2023	18,785	404
Totals	<u>\$ 72,797</u>	<u>\$ 3,957</u>

**4. Line of Credit**

On May 31, 2019, the Graves County Fiscal Court obtained a \$500,000 revolving line of credit for specific infrastructure improvements, expiring on June 1, 2020. Interest shall be calculated from the date of each advance until repayment of each advance at an interest rate of \$2.73%. During the fiscal year, the county did not utilize any funds from the line of credit.

**B. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations at June 30, 2019, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2020	\$ 104,699	\$ 7,217
2021	50,710	4,736
2022	52,059	3,388
2023	89,255	643
Totals	<u>\$ 296,723</u>	<u>\$ 15,984</u>

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

**Note 5. Long-term Debt (Continued)**

**C. Changes In Long-term Debt**

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

	(Restated*) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 371,388	\$	\$ 74,665	\$ 296,723	\$ 104,699
Total Long-term Debt	\$ 371,388	\$ 0	\$ 74,665	\$ 296,723	\$ 104,699

\* The outstanding principal balance on Caterpillar Financial - Tractor and Side Boom as of June 30, 2018, was not confirmed with the lender. Based on confirmation from the lender, the beginning balance was restated by \$2,376.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pensions Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Kentucky Retirement Systems. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2017 was \$742,255, FY 2018 was \$758,346, and FY 2019 was \$876,621.

Nonhazardous

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

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

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

**Note 6. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

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

Benefits are covered under KRS 78.5536.

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

**B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous (Continued)**

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

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

**C. Cost of Living Adjustments - Tier 1**

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of KRS benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

**D. Cost of Living Adjustments - Tier 2 and Tier 3**

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

**E. Death Benefit**

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

**KRS Annual Financial Report and Proportionate Share Audit Report**

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

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

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

**Note 7. Deferred Compensation**

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

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

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

**Note 8. Health Reimbursement Account/Flexible Spending Account**

The Graves County Fiscal Court established a flexible spending account on July 1, 2012, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee, providing up to \$500 for 2019 to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$11,419.

**Note 9. Insurance**

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

**Note 10. Subsequent Events**

On December 10, 2021, Mayfield, Graves County, Kentucky, experienced a powerful tornado which resulted in significant damage to county property.

**Note 11. Related Party Transactions**

During the fiscal year, the Graves County Fiscal Court purchased \$2,083 of materials from a local business, which is co-owned by a county commissioner.

**Note 12. Payroll Revolving Account**

The change in the balance of the payroll revolving account of \$61,136 as of June 30, 2019, was added to the general fund cash balance for financial reporting purposes.

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

**Note 13. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Graves County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

**Note 14. Tax Abatements**

**A. Tax Increment Financing Program (TIF)**

**1. Graves County Development Area Brian Drive-1: Cracker Barrel**

On January 11, 2016, the Graves County Fiscal Court established the Graves County Development Area - Brian Drive 1, a tax increment financing project, pursuant to the provisions of KRS 65.7041 to KRS 65.7083 for the purpose of economic development and public benefit and welfare of the citizens of Graves County. The Graves County Fiscal Court has approved to impose a 1% assessment fee on certain newly created jobs as a result of the projects within the development area. Each employer in the development area shall (a) collect the assessment from its employees by deducting the assessment from each paycheck of its employees, (b) promptly remit the assessment to the Graves County Treasurer to be deposited into a special tax incentive account. For fiscal year 2019, the Graves County Fiscal Court collected \$12,317 in assessment fees which were distributed to the Graves County Economic Development Authority.

**2. WKT Development Area**

On December 20, 2016, the Graves County Fiscal Court established the WKT Development Area, a tax increment financing project, pursuant to the provisions of KRS 65.7041 to KRS 65.7083 to encourage reinvestment and development within the development area. The Graves County Fiscal Court entered into a Participation Agreement with the West Kentucky Rural Telephone Cooperation Corporation establishing a job assessment fee to help with the costs related to redevelopment assistance, project costs and/or approved public infrastructure costs and financing costs. The Graves County Fiscal Court has approved to impose a 2% assessment fee on certain newly created jobs as a result of the projects within the development area. Each employer in the development area shall (a) collect the assessment from its employees by deducting the assessment from each paycheck of its employees, (b) promptly remit the assessment to the Graves County Treasurer to be deposited into a special tax incentive account. For fiscal year 2019, the Graves County Fiscal Court did not collect any assessment fees related to the development area.

**3. Gideon's Crossing Development Area - Badger & Jones, LLC**

On August 28, 2017, the Graves County Fiscal Court, along with the City of Mayfield, established the Gideon's Crossing Local Development Area, a tax increment financing district, pursuant to the provisions of KRS 65.7041 to KRS 65.7083 to pay for project costs and redevelopment assistance to support the development of the project, being developed by Badger & Jones, LLC. As part of the tax increment financing agreement, the Graves County Fiscal Court committed to pledge 100% of real and ad valorem taxes (property taxes) and occupational taxes (payroll taxes) that are otherwise due to the county, from businesses in this development area for a period of 30 years. For fiscal year 2019, the Graves County Fiscal Court abated \$504 in property taxes and \$0 in payroll taxes related to the development area.



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

**Note 14. Tax Abatements (Continued)**

**A. Tax Increment Financing Program (TIF) (continued)**

**4. Mayfield Shopping Plaza Development Area - CEB Investments, LLC**

On September 11, 2017, the Graves County Fiscal Court, along with the City of Mayfield, established the Mayfield Shopping Plaza Development Area, a tax increment financing district, pursuant to the provisions of KRS 65.7041 to KRS 65.7083 to pay for project costs and redevelopment assistance to support the development of the project being developed by CED Investments, LLC. As part of the tax increment financing agreement, the Graves County Fiscal Court committed to pledge 75% of real and ad valorem taxes (property taxes) and occupational taxes (payroll taxes) that are otherwise due to the county, from business in this development area for a period of 20 years. For fiscal year 2019, the Graves County Fiscal Court abated \$0 in property taxes and \$0 in payroll taxes related to the development area.

**B. Kentucky Business Investment Program (KBI)**

**1. ACE Compressor Parts & Service, Inc.**

On March 28, 2016, the Graves County Fiscal Court approved to participate in the Kentucky Business Investment Program as authorized by KRS 154, subchapter 32 with ACE Compressor Parts & Service, Inc. Ace Compressor Parts & Service is eligible to receive this tax abatement pursuant to the Kentucky Business Investment Program (KRS 154.32-010 to 154.32-100) only if the company creates 10 jobs or more each year. The taxes were abated by the company retaining the 1% occupational taxes otherwise derived by the fiscal court from salaries, wages, and other compensation paid by the company's employees. For the fiscal year 2019, Graves County Fiscal Court abated occupational taxes totaling \$1,052.

**Note 15. Prior Period Adjustments**

	Prior Year	Adjustments to Beginning Balances			Beginning Fund
	Ending Fund	Year End	Employee's	Prior Year	Balances
	Balances	Posting Error	Benefit Acct	Voided Checks	(Restated)
General Fund	\$ 989,796	\$ (210,801)	\$ (19,752)	\$ 1,300	\$ 760,543
Road Fund	183,121				183,121
Jail Fund	54,779				54,779
LGEA Fund	43				43
DES Fund	63				63
Jail Canteen	47,312			35	47,347
	<u>\$ 1,275,114</u>	<u>\$ (210,801)</u>	<u>\$ (19,752)</u>	<u>\$ 1,335</u>	<u>\$ 1,045,896</u>

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 3,872,000	\$ 4,250,744	\$ 4,144,059	\$ (106,685)
In Lieu Tax Payments	112,000	122,755	122,757	2
Excess Fees	172,800	242,638	242,638	
Licenses and Permits	101,500	103,892	106,058	2,166
Intergovernmental	1,491,250	2,538,373	2,518,498	(19,875)
Miscellaneous	482,000	513,237	145,631	(367,606)
Interest	5,000	7,574	9,995	2,421
Total Receipts	6,236,550	7,779,213	7,289,636	(489,577)
<b>DISBURSEMENTS</b>				
General Government	3,638,850	4,925,657	4,538,625	387,032
Protection to Persons and Property	510,692	633,025	625,786	7,239
General Health and Sanitation	116,000	116,000	116,000	
Social Services	32,500	51,600	50,543	1,057
Recreation and Culture	42,000	81,000	77,351	3,649
Airports	5,000	3,500	1,427	2,073
Debt Service	19,200	19,200	19,188	12
Capital Projects	135,000	135,000	85,631	49,369
Administration	441,723	1,016,513	465,918	550,595
Total Disbursements	4,940,965	6,981,495	5,980,469	1,001,026
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,295,585	797,718	1,309,167	511,449
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			600,000	600,000
Transfers To Other Funds	(1,295,585)	(1,295,585)	(2,045,600)	(750,015)
Total Other Adjustments to Cash (Uses)	(1,295,585)	(1,295,585)	(1,445,600)	(150,015)
Net Change in Fund Balance		(497,867)	(136,433)	361,434
Fund Balance - Beginning (Restated)		744,706	744,707	1
Fund Balance - Ending	\$ 0	\$ 246,839	\$ 608,274	\$ 361,435

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,632,682	\$ 3,585,727	\$ 3,759,326	\$ 173,599
Miscellaneous	784,000	825,061	830,369	5,308
Interest	6,000	6,987	8,671	1,684
Total Receipts	<u>3,422,682</u>	<u>4,417,775</u>	<u>4,598,366</u>	<u>180,591</u>
<b>DISBURSEMENTS</b>				
Roads	3,068,182	4,096,396	3,989,252	107,144
Debt Service	67,500	67,500	67,488	12
Administration	457,000	457,000	337,376	119,624
Total Disbursements	<u>3,592,682</u>	<u>4,620,896</u>	<u>4,394,116</u>	<u>226,780</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(170,000)</u>	<u>(203,121)</u>	<u>204,250</u>	<u>407,371</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	20,000	20,000	649,000	629,000
Transfers To Other Funds			<u>(600,000)</u>	<u>(600,000)</u>
Total Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>20,000</u>	<u>49,000</u>	<u>29,000</u>
Net Change in Fund Balance	(150,000)	(183,121)	253,250	436,371
Fund Balance - Beginning	<u>150,000</u>	<u>183,121</u>	<u>183,121</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 436,371</u>	<u>\$ 436,371</u>

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

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,008,000	\$ 1,067,130	\$ 1,159,600	\$ 92,470
Charges for Services	5,000	7,799	8,436	637
Miscellaneous	64,500	66,416	71,779	5,363
Interest	700	1,047	1,281	234
Total Receipts	1,078,200	1,142,392	1,241,096	98,704
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,903,392	2,279,768	2,221,270	58,498
Administration	446,000	432,512	422,425	10,087
Total Disbursements	2,349,392	2,712,280	2,643,695	68,585
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,271,192)	(1,569,888)	(1,402,599)	167,289
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	1,271,192	1,271,192	1,386,000	114,808
Total Other Adjustments to Cash (Uses)	1,271,192	1,271,192	1,386,000	114,808
Net Change in Fund Balance		(298,696)	(16,599)	282,097
Fund Balance - Beginning		54,779	54,779	
Fund Balance - Ending	\$ 0	\$ (243,917)	\$ 38,180	\$ 282,097

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 17,098	\$ (2,902)
Interest	200	200	138	(62)
Total Receipts	20,200	20,200	17,236	(2,964)
<b>DISBURSEMENTS</b>				
Roads	200	200		200
Total Disbursements	200	200		200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	20,000	20,000	17,236	(2,764)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(20,000)	(20,000)	(17,000)	3,000
Total Other Adjustments to Cash (Uses)	(20,000)	(20,000)	(17,000)	3,000
Net Change in Fund Balance			236	236
Fund Balance - Beginning			43	43
Fund Balance - Ending	\$ 0	\$ 0	\$ 279	\$ 279



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

	<b>DES FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$	\$ 21,000	\$ 20,745	\$ (255)
Interest	21,000		18	18
Total Receipts	21,000	21,000	20,763	(237)
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	40,273	40,095	39,404	691
Administration	5,120	8,220	7,346	874
Total Disbursements	45,393	48,315	46,750	1,565
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(24,393)	(27,315)	(25,987)	1,328
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	24,393	24,393	27,600	3,207
Total Other Adjustments to Cash (Uses)	24,393	24,393	27,600	3,207
Net Change in Fund Balance		(2,922)	1,613	4,535
Fund Balance - Beginning			63	63
Fund Balance - Ending	\$ 0	\$ (2,922)	\$ 1,676	\$ 4,598

**GRAVES COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2019**

**Note 1. Budgetary Information**

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

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

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

**Note 2. Reconciliation of the General Fund - Budgetary To Regulatory Basis**

Reconciliation of the General Fund

Other Adjustments to Cash (Uses) -Budgetary Basis	\$ (1,445,600)
Changes in Payroll Account	<u>61,136</u>
Total Other Adjustment to Cash (Uses) -Regulatory Basis	<u><u>\$ (1,384,464)</u></u>
Ending Fund Balance-Budgetary Basis	\$ 608,274
Payroll Account Balance	<u>76,972</u>
Total Ending Fund Balance -Regulatory Basis	<u><u>\$ 685,246</u></u>

**GRAVES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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**GRAVES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<b><u>U. S. Department of Health and Human Services</u></b>				
<i><b>Direct Program:</b></i>				
Drug Free Communities Support Program Grants	93.276	1H79SP019940-01	\$	\$ 15,459
<b>Total U.S. Department of Health and Human Services</b>				<u>15,459</u>
<b><u>U. S. Department of Homeland Security</u></b>				
<i><b>Passed-Through Kentucky Office Of Homeland Security:</b></i>				
Homeland Security Grant Program	97.067	Not Available	\$	19,436
<i><b>Passed-Through Kentucky Department Of Emergency Management:</b></i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4361-KY		<u>22,214</u>
<b>Total U.S. Department of Homeland Security</b>				<u>41,650</u>
<b><u>U. S. Department of Housing and Urban Development</u></b>				
<i><b>Passed-Through Kentucky Department For Local Government:</b></i>				
Community Development Block Grants/State's Program				
CDBG - Mayfield Consumer Products Glass Expansion Project	14.228	18-009	\$ 965,000	\$ 965,000
<b>Total U.S. Department of Housing and Urban Development</b>			<u>965,000</u>	<u>965,000</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 965,000</u>	<u>\$ 1,022,109</u>

The accompanying notes are an integral part of this schedule.

**GRAVES COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2019**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Graves County, Kentucky under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Graves County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Graves County, Kentucky.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**Note 3. Indirect Cost Rate**

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

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 530,253	\$	\$	\$ 530,253
Buildings	12,960,812			12,960,812
Vehicles	1,462,034	158,796	168,789	1,452,041
Machinery and Equipment	2,044,130			2,044,130
Infrastructure *	136,829,331	1,101,495		137,930,826
 Total Capital Assets	 <u>\$ 153,826,560</u>	 <u>\$ 1,260,291</u>	 <u>\$ 168,789</u>	 <u>\$ 154,918,062</u>

The fiscal court reports the following Assets Held For Resale:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets Held for Resale				
Mack Trucks	\$ 899,674	\$ 903,978	\$ 899,674	\$ 903,978
 Total Assets Held for Resale	 <u>\$ 899,674</u>	 <u>\$ 903,978</u>	 <u>\$ 899,674</u>	 <u>\$ 903,978</u>

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

**June 30, 2019**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 25,000	10-60
Buildings	\$ 50,000	10-75
Vehicles	\$ 5,000	3-25
Machinery and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

**Note 2. Restated Beginning Balance Of Capital Assets**

	<u>Infrastructure</u>
Prior Year Ending Balance	\$ 135,829,331
Mathematical Error	<u>1,000,000</u>
Beginning Balance Restated	<u><u>\$ 136,829,331</u></u>

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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jesse Perry, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

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

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Graves County Fiscal Court for the fiscal year ended June 30, 2019, and the related notes to the financial statement which collectively comprise the Graves County Fiscal Court's financial statement and have issued our report thereon dated May 5, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Graves County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Graves County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Graves County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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 statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, 2019-003, 2019-004, and 2019-005 to be material weaknesses.



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

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2019-006 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Graves County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, 2019-003, and 2019-005

**Views of Responsible Officials and Planned Corrective Action**

Graves County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. The county's responses were not subject to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", followed by a horizontal line.

Mike Harmon  
Auditor of Public Accounts

May 5, 2022

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

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jesse Perry, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

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

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited the Graves County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Graves County Fiscal Court's major federal programs for the year ended June 30, 2019. The Graves County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Graves County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Graves County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Graves County Fiscal Court's compliance.



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

**Opinion on Each Major Federal Program**

In our opinion, the Graves County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**Report on Internal Control over Compliance**

Management of the Graves County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Graves County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Graves County Fiscal Court's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

May 5, 2022

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

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

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

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

**Section I: Summary of Auditor's Results**

***Financial Statement***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program

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

**GRAVES COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**Section II: Financial Statement Findings**

**2019-001    The Graves County Fiscal Court Does Not Have Adequate Controls Over The Budget Process**

---

The Graves County Fiscal Court lacks adequate controls over the budget process. The budget per the fourth quarter financial report did not agree to the original budget and budget amendments approved by the Graves County Fiscal Court. There were also mathematical errors in footing and cross-footing for total budget available column on the quarterly financial report.

A budget amendment for the general fund in the amount of \$542,663, adopted by the fiscal court on June 10, 2019, was omitted from the fourth quarter financial report. Also, the fiscal court approved a budget for DES fund account codes #4541 and #4544 for \$16,000 and \$5,000, respectively but were inaccurately reported on the fourth quarterly financial report as account codes #4841 and #4844. Finally, the total budget available reported on the quarterly did not foot and cross-foot accurately and was understated by \$22,500.

According to the county treasurer, due to an oversight when preparing the report, an error was made in posting the third budget amendment. The treasurer also stated that the budget on the DES fund was inadvertently posted to the wrong budget codes. Due to these errors, the budget on the fourth quarter financial report submitted to the Department for Local Government did not balance and required proposed audit adjustments in order to balance the budget.

Strong internal controls over the reporting process are vital to ensure the fiscal court's financial reports accurately reflect the approved budget and budget amendments of the Graves County Fiscal Court.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual*. The manual provides the format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, and actual receipts and disbursements and totals available in each line item.

We recommend the fiscal court implement procedures to require someone other than the preparer to review all financial reports to ensure accuracy.

**Views of Responsible Official and Planned Corrective Action:**

*County Judge/Executive's Response: Due to an oversight when preparing the report, an error was made in posting, therefore making the fourth quarter financial report out of balance. The fiscal court will implement procedures to require someone other than the preparer to review all financial reports to ensure accuracy.*

**2019-002    The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer**

---

During fiscal year 2019, the Graves County Fiscal Court failed to approve cash transfers prior to them being made by the county treasurer. We tested 10 cash transfers totaling \$1,313,300. Nine cash transfers totaling \$1,296,300 were transferred without prior approval; however, they were subsequently approved by the fiscal court. One transfer of \$17,000 was transferred without ever receiving approval by the fiscal court.

According to the county treasurer, she was not aware that transfers are to be approved prior to making the transfers. Because cash transfers occurred before being approved by the fiscal court, the county's funds were at an increased risk of being misappropriated.

**GRAVES COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2019-002 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer (Continued)

---

Strong internal controls dictate that the fiscal court oversee the movement of funds in order to decrease the risk of misappropriation. It is also the responsibility of the fiscal court to make financial decisions for the county, such as transferring cash between funds.

Additionally, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[a]ll transfers require a court order.”

We recommend all cash transfers be presented to, and approved by, the Graves County Fiscal Court prior to being made by the county treasurer.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: On January 10, 2022 the Fiscal Court voted to authorize County Treasurer to make transfers within the budget as they are needed with the approval of the transfers being made at the next Fiscal Court Meeting.*

2019-003 The Graves County Fiscal Court’s Purchase Order System Did Not Function As Designed

---

The Graves County Fiscal Court’s purchase order system did not function as designed, purchase orders were either not issued for all purchases or in other instances were issued after the purchase had been made and the invoice was received. We tested 50 transactions totaling \$3,835,592. Fourteen of these transactions totaling \$1,272,705 did not have a purchase order prepared for the purchase. Eight of these transactions totaling \$161,938 had purchase order prepared after the invoice was received from the vendor.

According to the county treasurer, individuals sometimes make purchases prior to requesting purchase orders. In these instances, the fiscal court will prepare purchase orders when invoices are received. The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, inaccurate reporting, and misappropriation of assets.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, “[p]urchase requests shall not be approved in an amount that exceeds the available line-item appropriation unless the necessary and appropriate transfers have been made.”

In addition, according to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, “[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 57 of the *County Budget Preparation and State Local Finance Officer Policy Manual*.” Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

**GRAVES COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2019-003 The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed  
 (Continued)

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Additionally, per the Graves County Administrative Code, adopted by the fiscal court, the following General Purchase Procedures:

- A. All purchases must be verified and approved by the issuance of a purchase order. When the vendor submits an invoice the purchase order number must be indicated; invoices without a purchase order number will not be paid. Department Heads shall complete the purchase order form and signify their approval of the purchase by their signature or other appropriate method.
- B. It is the responsibility of each Department Head to ensure that the correct goods are received, that the vendor's invoice is received and is correct, and that the purchase order amount has not been exceeded.
- C. Approval of the annual budget does not constitute permission for departments to make purchases. Factors such as cash flow and deposits on hand must always be considered before purchases are approved.
- D. The Judge/Executive and Department Heads shall cooperate with each other to standardize all department supplies, material, equipment, and services where feasible.
- E. There will be no reimbursements to any employee unless prior approval from the Judge/Executive, unless it is an unforeseen emergency.

Lastly, strong internal controls dictate the purchase orders be issued and approved prior to items being ordered and expenses being incurred, in order to ensure available line-item appropriation exists.

We recommend the Graves County Fiscal Court strengthen internal controls over disbursements by ensuring that purchase orders are issued prior to all purchases being made.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: We have informed each official/department head what is stated in the admin code regarding the purchase order system. We have requested again that everyone is required to get a purchase order before anything is purchased or ordered. This will require each department head to make sure this is done properly.*

2019-004 The Graves County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Operations

---

This is a repeat finding and was included in the prior year audit report as finding 2018-005. The Graves County Jail does not have adequate segregation of duties over the operation of the jail commissary. Both office employees collect receipts from customers and the kiosk system, prepare deposits and write checks. One of these employees reconciles the bank accounts each month, but there was no documentation that anyone reviews the reconciliations.

According to the bookkeepers, they do review each other's work, but there is no documentation of this review. The lack of segregation of duties or strong oversight increases the risk that errors or fraud could occur and not be detected. Segregation of duties or the implementation of compensating controls, when necessary, is essential for providing protection to employees in the normal course of performing their duties and will help prevent misappropriation of assets and inaccurate financial reporting.



**GRAVES COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2019  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

**2019-004 The Graves County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Operations (Continued)**

---

We recommend the Graves County Jail segregate duties to the extent possible. If these duties cannot be adequately separated, then strong oversight should be provided to the employee or employees responsible for these duties.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: I recognize the inadequacies and it falls on the responsibility of the Graves County Jailer.*

*County Jailer's Response: We are a small agency that currently has 2 Administrative Assistants. This poses an issue in regards to the segregation of duties. However, we will make attempts to ensure the person that takes in cash or checks, is not the same person that counts or deposits. This is our first audit and a learning experience. We have received documentation from the auditors that we shall attempt to duplicate to prevent such issues in the future.*

**2019-005 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds**

---

The Graves County Jailer did not maintain minimum accounting records as prescribed by the state local finance officer (SLFO). The following exceptions were noted:

- Receipts are not issued in compliance with state regulations.
- Numerical sequence of issued receipts are not accounted for.
- Daily checkouts sheets are not prepared.
- Deposits are not on a daily basis.
- The jailer did not maintain a receipts and disbursements ledgers.
- The jailer did not submit an annual financial report to the county treasurer.

According to the bookkeeper, the jailer entered office in January 2019, and they were not aware of all of the requirements and regulations they needed to follow. Since the jailer did not follow the minimum accounting requirements, he was unable to provide complete and accurate financial records for commissary activities. This resulted in proposed audit adjustments to present a financial statement based on other information.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* outlines minimum accounting procedures to be utilized by county jailers for jail commissary funds. These procedures include preparing daily checkout sheets, cash receipts journal, cash disbursements journal and annual summary and reconciliation.

KRS 441.135(2) states, in part, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.”

**GRAVES COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2019**  
**(Continued)**

**Section II: Financial Statement Findings (Continued)**

2019-005 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds (Continued)

---

KRS 64.840(1) states, in part, “[a]ll county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt.”

KRS 64.840(2) states, “[o]ne (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit.”

In addition, good internal controls dictate that policies and procedures be in place to ensure commissary funds are properly accounted for.

We recommend the Graves County Jailer implement internal controls procedures including issuing receipts, performing daily checkout procedures, maintaining ledgers, and preparing an annual financial report.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: I recognize the inadequacies and it falls on the responsibility of the Graves County Jailer.*

*County Jailer’s Response: It is my understanding that this issue is due to lack of cooperation from the previous vendor for the previous administration. We were unable to obtain records for this account from the previous administration and there was a discrepancy between what our account totals indicate we have, and the account totals the previous administration had. I think this issue has been resolved and should not occur in the future.*

Auditor’s Reply: This finding is not related to the previous administration. We found that the current administration does not maintain the minimum accounting records required.

2019-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates

---

The Graves County Jail does not have written policies and procedures to collect amounts due from former inmates. The jailer couldn’t even provide auditor with an actual amount due from these former inmates.

According to the bookkeeper, the jailer entered office in January 2019 and was not aware of all of the requirements and regulations they needed to follow. Because the jail does not attempt to collect these outstanding accounts receivables, the county is missing out on funds that could be used to operate the jail.

Strong internal controls dictate that procedures be in place to ensure outstanding amounts due to the jail are being collected.

**GRAVES COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2019  
(Continued)**

**Section II: Financial Statement Findings (Continued)**

2019-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates (Continued)

---

We recommend the Graves County Jail implement policies and procedures to collect outstanding accounts receivables.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: I recognize the inadequacies and it falls on the responsibility of the Graves County Jailer.*

*County Jailer's Response: We were utilizing the "Pay My Jailer" account for this. However, due to the recent court decision on the fees being collected, we no longer collect fees until the new law goes into effect. Therefore, this issue should be a moot point.*

**Section III: Federal Award Findings And Questioned Costs**

None.

**Section IV: Summary Schedule of Prior Audit Findings**

Not Applicable.

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

**GRAVES COUNTY FISCAL COURT**

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


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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
GRAVES COUNTY FISCAL COURT

For The Year Ended June 30, 2019

The Graves 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