

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

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, 2022, 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.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Graves County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Graves County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Graves County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

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 and pervasive.

Responsibilities of Management for the Financial Statement

Graves County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. 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 Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Graves County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Graves County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

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

Emphasis of Matter

As discussed in Note 15 to the financial statement, Graves County performed a remaining fund balance transfer from the federal grant (ARPA) fund to the general fund by including the prior year fund balance of the ARPA fund in the general fund's beginning fund balance in the county's fiscal year ended June 30, 2022's budget. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

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

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

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

To the People of Kentucky
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Holly M. Johnson, Secretary
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2023, 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:

- 2022-001 The Graves County Fiscal Court Did Not Have Adequate Controls Over Disbursements
- 2022-002 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By The County Treasurer
- 2022-003 The Graves County Fiscal Court Lacks Adequate Controls Over The Fourth Quarter Financial Statement
- 2022-004 The Former Graves County Jailer Failed To Maintain Minimum Accounting Records
- 2022-005 The Former Graves County Jailer Failed To Submit An Annual Canteen Report To The County Treasurer
- 2022-006 The Graves County Jail Lacks Adequate Segregation Of Duties

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 17, 2023

GRAVES COUNTY OFFICIALS**For The Year Ended June 30, 2022****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 Financial Officer

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 5,051,878	\$	\$	\$
In Lieu Tax Payments	93,195			
Excess Fees	590,400			
Licenses and Permits	174,256			
Intergovernmental	8,440,348	2,798,295	854,509	23,165
Charges for Services	37,500		7,212	
Miscellaneous	3,383,543	12,189	34,245	
Interest	2,613	640	89	25
Total Receipts	17,773,733	2,811,124	896,055	23,190
DISBURSEMENTS				
General Government	4,417,936			
Protection to Persons and Property	509,360		2,424,670	
General Health and Sanitation	142,605			
Social Services	202,668			
Recreation and Culture	118,367			
Roads		3,688,090		
Airports	67,865			
Debt Service	19,188	27,877	24,500	
Administration	1,075,896	318,339	551,083	
Total Disbursements	6,553,885	4,034,306	3,000,253	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	11,219,848	(1,223,182)	(2,104,198)	23,190
Other Adjustments to Cash (Uses)				
Change in Payroll Revolving Account	(100,015)			
Transfers From Other Funds		994,000	2,184,000	
Transfers To Other Funds	(3,237,900)			(23,000)
Total Other Adjustments to Cash (Uses)	(3,337,915)	994,000	2,184,000	(23,000)
Net Change in Fund Balance	7,881,933	(229,182)	79,802	190
Fund Balance - Beginning (Restated)	5,390,521	253,789	1,533	69
Fund Balance - Ending	\$ 13,272,454	\$ 24,607	\$ 81,335	\$ 259
Composition of Fund Balance				
Bank Balance	\$ 13,434,215	\$ 59,522	\$ 123,053	\$ 259
Payroll Revolving Account Reconciled Balance	69,721			
Less: Outstanding Checks	(124,131)	(34,915)	(41,718)	
Less: Outstanding Payroll Liabilities	(107,351)			
Fund Balance - Ending	\$ 13,272,454	\$ 24,607	\$ 81,335	\$ 259

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, 2022
(Continued)

<u>Budgeted Fund</u>	<u>Unbudgeted Fund</u>	
Disaster Emergency Services Fund	Jail Commissary Fund	Total Funds
\$	\$	\$ 5,051,878
		93,195
		590,400
		174,256
		12,116,317
		44,712
	36,870	3,466,847
27,332	45	30,744
27,332	36,915	21,568,349
		4,417,936
76,613		3,010,643
		142,605
		202,668
	37,825	156,192
		3,688,090
		67,865
		71,565
27,255		1,972,573
103,868	37,825	13,730,137
(76,536)	(910)	7,838,212
		(100,015)
82,900		3,260,900
		(3,260,900)
82,900		(100,015)
6,364	(910)	7,738,197
87	84,143	5,730,142
\$ 6,451	\$ 83,233	\$ 13,468,339
\$ 9,468	\$ 83,233	\$ 13,709,750
		69,721
(3,017)		(203,781)
		(107,351)
\$ 6,451	\$ 83,233	\$ 13,468,339

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

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**GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

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 for and on behalf of, and as the agency and instrumentality of 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, 2022
(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.

Disaster Emergency Services 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 Funds

The fiscal court reports the following unbudgeted funds:

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

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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, 2022
(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 and Joint Ventures

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:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Related Obligations and Joint Ventures (Continued)

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 & Recreation
 Mayfield-Graves County Ambulance Service

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representatives from each of the governments that created the organization but are not joint ventures because the participants do not retain 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, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 971,000	\$ 23,000	\$ 994,000
Jail Fund	2,184,000		2,184,000
Disaster Emergency Services Fund	82,900		82,900
Total Transfers Out	<u>\$ 3,237,900</u>	<u>\$ 23,000</u>	<u>\$ 3,260,900</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. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

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, 2022 was \$80,084.

Note 5. Leases

A. Lessor

On May 14, 2021, the Graves County Fiscal Court entered into a court facilities agreement for the leasing of office space in the Graves County courthouse. The lease was for one fiscal year and Graves County would receive quarterly payments. Graves County recognized \$126,323 in lease revenue during the current fiscal year related to this lease.

B. Lessee

1. Radio Tower

On December 1, 1996, the Graves County Fiscal Court entered into a five-year lease agreement for a license to use and install a radio antenna on a radio tower owned by a third-party. An initial lease liability was recorded in the amount of \$25,800 during the then current fiscal year. That liability has since been paid in full, and the lease has been renewed in five-year increments at a negotiable rate. The Graves County Fiscal Court currently pays \$600 per month for the license. For fiscal year end June 30, 2022, the county paid a total of \$6,600 as part of the lease.

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

Note 5. Leases (Continued)

B. Lessee (Continued)

2. Office Space #2

On January 13, 2022, the Graves County Fiscal Court entered into a three-year lease for the rental of real property that is approximately 5,000 square feet that is known as suite 2. An initial liability was recorded in the amount of \$90,000 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$76,250. Graves County is required to make monthly rent payments in the amount of \$2,292 for the first year of the lease, \$2,500 per month for the second year of the lease, and \$2,708 per month for the third year of the lease. The lease payments required under the leasing agreement as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 28,750
2024	31,250
2025	<u>16,250</u>
	<u>\$ 76,250</u>

3. Office Space #4-5

On January 13, 2022, the Graves County Fiscal Court entered into a three-year lease for the rental of real property that is approximately 8,400 square feet that is known as suite 4-5. An initial liability was recorded in the amount of \$151,200 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$128,100. Graves County is required to make monthly rent payments in the amount of \$3,850 for the first year of the lease, \$4,200 per month for the second year of the lease, and \$4,550 per month for the third year of the lease. The lease payments required under the leasing agreement as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 48,300
2024	52,500
2025	<u>27,300</u>
	<u>\$ 128,100</u>

4. Office Space #6

On January 13, 2022, the Graves County Fiscal Court entered into a three-year lease for the rental of real property that is approximately 2,600 square feet that is known as suite 6. An initial liability was recorded in the amount of \$46,800 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$39,650. Graves County is required to make monthly rent payments in the amount of \$1,192 for the first year of the lease, \$1,300 per month for the second year of the lease, and \$1,408 per month for the third year of the lease. The lease payments required under the leasing agreement as of June 30, 2022 were as follows:

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

Note 5. Leases (Continued)

B. Lessee (Continued)

4. Office Space #6 (Continued)

Fiscal Year Ended June 30	Amount
2023	\$ 14,950
2024	16,250
2025	<u>8,450</u>
	<u>\$ 39,650</u>

5. Copier

On September 10, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as the lessee for the use of a copier. An initial liability was recorded in the amount of \$9,791 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$4,243. The Graves County Fiscal Court is required to make monthly payments of \$163 and has a purchase price option of \$1 that the county is reasonably certain it will not exercise. The remaining lease payments as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 1,958
2024	1,958
2025	<u>327</u>
	<u>\$ 4,243</u>

6. Loader Backhoe

On February 8, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as the lessee for the use of a loader backhoe. An initial liability was recorded in the amount of \$44,212 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$11,053. The Graves County Fiscal Court is required to make monthly payments of \$921 and has a purchase price option of \$64,223 that the county is reasonably certain it will not exercise. The remaining lease payments as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	<u>\$ 11,053</u>
	<u>\$ 11,053</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

7. Tractor with Front Loader

In October 2018, the Graves County Fiscal Court entered into a four-year lease agreement as the lessee for the use of a tractor with a front-end loader. An initial liability was recorded in the amount of \$20,638 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$3,870. The Graves County Fiscal Court is required to make monthly payments of \$430. The remaining lease payments as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 3,870
	<u>\$ 3,870</u>

8. Tractors

In March 2021, the Graves County Fiscal Court entered into a three-year lease agreement as the lessee for the use of three four-wheel-drive tractors. An initial liability was recorded in the amount of \$58,625 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$37,455. The Graves County Fiscal Court is required to make monthly payments of \$1,628 and has a purchase price option of \$75,202 that the county is reasonably certain it will not exercise. The remaining lease payments as of June 30, 2022 were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 19,542
2024	<u>17,913</u>
	<u>\$ 37,455</u>

9. 2019 Nissan Rogue

On April 18, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Nissan Rogue. An initial lease liability was recorded in the amount of \$24,020 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$8,807. The Graves County Fiscal Court is required to make monthly payments of \$400. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 4,804
2024	<u>4,003</u>
	<u>\$ 8,807</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

10. 2018 Dodge Grand Caravan

On June 21, 2018, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2018 Dodge Caravan. An initial lease liability was recorded in the amount of \$25,862 during the then current fiscal year. As of June 30, 2022, the value of the lease liability was \$4,471. The Graves County Fiscal Court is required to make monthly payments of \$431. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 4,741
	<u>\$ 4,741</u>

11. 2019 Ford F-350

On October 9, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-350. An initial lease liability was recorded in the amount of \$52,487 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$25,369. The Graves County Fiscal Court is required to make monthly payments of \$875. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 10,497
2024	10,497
2025	<u>4,375</u>
	<u>\$ 25,369</u>

12. 2019 Ford F-350

On October 9, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-350. An initial lease liability was recorded in the amount of \$54,610 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$26,395. The Graves County Fiscal Court is required to make monthly payments of \$910. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 10,922
2024	10,922
2025	<u>4,551</u>
	<u>\$ 26,395</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

13. 2019 Ford F-250

On July 26, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-250. An initial lease liability was recorded in the amount of \$34,607 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,420. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,921
2024	6,921
2025	<u>578</u>
	<u>\$ 14,420</u>

14. 2019 Ford F-250

On July 26, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-250. An initial lease liability was recorded in the amount of \$34,607 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,420. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,921
2024	6,921
2025	<u>578</u>
	<u>\$ 14,420</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

15. 2019 Ford F-250

On July 26, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-250. An initial lease liability was recorded in the amount of \$34,607 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,420. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,921
2024	6,921
2025	<u>578</u>
	<u>\$ 14,420</u>

16. 2019 Ford F-250

On July 26, 2019, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2019 Ford F-250. An initial lease liability was recorded in the amount of \$34,607 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$14,420. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 6,921
2024	6,921
2025	<u>578</u>
	<u>\$ 14,420</u>

17. 2021 Ford F-150

On November 10, 2021, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$28,372 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$25,062. The Graves County Fiscal Court is required to make monthly payments of \$473. The remaining lease payments as of June 30, 2022, were as follows:

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

Note 5. Leases (Continued)

B. Lessee (Continued)

17. 2021 Ford F-150 (Continued)

Fiscal Year Ended June 30	Amount
2023	\$ 5,674
2024	5,674
2025	5,674
2026	5,674
2027	2,366
	<u>\$ 25,062</u>

18. 2021 Ford F-150

On November 2, 2021, the Graves County Fiscal Court entered into a five-year lease agreement as lessee for the use of a 2021 Ford F-150. An initial lease liability was recorded in the amount of \$28,372 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$25,062. The Graves County Fiscal Court is required to make monthly payments of \$473. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,674
2024	5,674
2025	5,674
2026	5,674
2027	2,366
	<u>\$ 25,062</u>

19. 2019 Dodge Charger

On May 28, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$33,215 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$7,612. The Graves County Fiscal Court is required to make monthly payments of \$692. The remaining lease payments as of June 30, 2022, were as follows:

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

Note 5. Leases (Continued)

B. Lessee (Continued)

19. 2019 Dodge Charger (Continued)

Fiscal Year Ended June 30	Amount
2023	\$ 7,612
	<u>\$ 7,612</u>

20. 2019 Dodge Charger

On November 29, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$31,756 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$11,247. The Graves County Fiscal Court is required to make monthly payments of \$662. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 7,939
2024	<u>3,308</u>
	<u>\$ 11,247</u>

21. 2019 Dodge Charger

On November 4, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$33,980 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$12,034. The Graves County Fiscal Court is required to make monthly payments of \$708. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 8,495
2024	<u>3,539</u>
	<u>\$ 12,034</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

22. 2019 Chrysler 300

On October 20, 2020, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Chrysler 300. An initial lease liability was recorded in the amount of \$22,395 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$13,064. The Graves County Fiscal Court is required to make monthly payments of \$467. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 5,599
2024	5,599
2025	1,866
	<u>\$ 13,064</u>

23. 2021 Dodge Charger

On July 30, 2021, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Charger. An initial lease liability was recorded in the amount of \$33,319 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$25,684. The Graves County Fiscal Court is required to make monthly payments of \$694. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 8,330
2024	8,330
2025	8,330
2026	694
	<u>\$ 25,684</u>

24. 2021 Dodge Durango

On June 8, 2021, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Durango. An initial lease liability was recorded in the amount of \$43,359 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$31,616. The Graves County Fiscal Court is required to make monthly payments of \$903. The remaining lease payments as of June 30, 2022, were as follows:

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

Note 5. Leases (Continued)

B. Lessee (Continued)

24. 2021 Dodge Durango (Continued)

Fiscal Year Ended June 30	Amount
2023	\$ 10,840
2024	10,840
2025	<u>9,936</u>
	<u><u>\$ 31,616</u></u>

25. 2021 Dodge Durango

On June 8, 2021, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2021 Dodge Durango. An initial lease liability was recorded in the amount of \$43,440 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$31,675. The Graves County Fiscal Court is required to make monthly payments of \$905. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 10,860
2024	10,860
2025	<u>9,955</u>
	<u><u>\$ 31,675</u></u>

26. 2018 Dodge Charger

On September 6, 2018, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2018 Dodge Charger. An initial lease liability was recorded in the amount of \$33,046 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$1,377. The Graves County Fiscal Court is required to make monthly payments of \$688. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	<u>\$ 1,377</u>
	<u><u>\$ 1,377</u></u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

27. 2018 Dodge Charger

On September 19, 2018, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2018 Dodge Charger. An initial lease liability was recorded in the amount of \$27,019 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$1,126. The Graves County Fiscal Court is required to make monthly payments of \$563. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 1,126
	<u>\$ 1,126</u>

28. 2019 Dodge Charger

On March 14, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Charger. An initial lease liability was recorded in the amount of \$28,285 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$4,714. The Graves County Fiscal Court is required to make monthly payments of \$589. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 4,714
	<u>\$ 4,714</u>

29. 2019 Dodge Durango

On September 2, 2019, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2019 Dodge Durango. An initial lease liability was recorded in the amount of \$33,815 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$9,863. The Graves County Fiscal Court is required to make monthly payments of \$704. The remaining lease payments as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Amount
2023	\$ 8,454
2024	<u>1,409</u>
	<u>\$ 9,863</u>

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

Note 5. Leases (Continued)

B. Lessee (Continued)

30. Lowes Elementary School

On February 14, 2022, the Graves County Fiscal Court entered into a six-month lease agreement as lessee with the Graves County Board of Education. The purpose of the lease is for the use of the property commonly referred to as Lowes Elementary School for overflow storage of disaster related donations, materials, and other items. The lease was for the period running from January 12, 2022 through June 30, 2022. The lease required no monthly rental fee or security deposit. Furthermore, the county paid the Graves County Board of Education \$0 for the use of the facility.

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 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 \$70,062 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, 2022, the lease principal was \$70,062. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 70,062	\$ 239
Totals	<u>\$ 70,062</u>	<u>\$ 239</u>

2. 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. As of June 30, 2022, the note principal was \$18,785. Future principal and interest requirements are as follows:

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Park Land (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 18,785	\$ 404
Totals	<u>\$ 18,785</u>	<u>\$ 404</u>

3. Securus Body Scanner (Scanner)

On July 12, 2019, the Graves County Jail entered into a lease agreement with Securus Technologies for the purpose of purchasing a body scanner. The principal of the lease is \$175,000 with repayment to be made over 50 months with an interest rate at 0%. As of June 30, 2022, the lease principal was \$73,712. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 42,000	\$
2024	<u>31,712</u>	
Totals	<u>\$ 73,712</u>	<u>\$ 0</u>

B. Changes In Long-term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 239,637	\$	\$ 77,078	\$ 162,559	\$ 130,847
Total Long-term Debt	<u>\$ 239,637</u>	<u>\$ 0</u>	<u>\$ 77,078</u>	<u>\$ 162,559</u>	<u>\$ 130,847</u>

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

Note 6. Long-term Debt (Continued)

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 130,847	\$ 643
2024	31,712	
Totals	<u>\$ 162,559</u>	<u>\$ 643</u>

Note 7. Commitments and Contingencies

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 8. 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 (Ky. Ret. Sys.). 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 Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. 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 2020 was \$996,734, FY 2021 was \$995,310, and FY 2022 was \$1,153,937.

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 Ky. Ret. Sys. 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 Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary.

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

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.95 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

Tier 2 member benefits are covered by KRS 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 Ky. Ret. Sys. 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.

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. 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, 2022
(Continued)

Note 9. 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 10. Insurance

For the fiscal year ended June 30, 2022, 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 11. Related Party Transactions

During the fiscal year, the Graves County Fiscal Court purchased \$2,626 of materials from a local business which is co-owned by a county commissioner.

Note 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2022, was added to the general fund cash balance for financial reporting purposes.

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.

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

Note 14. Tax Abatements

A. Pilgrim's Pride

Occupational taxes were abated under the authority of the Graves County Fiscal Court. Pilgrim's Pride is eligible to receive this tax abatement due to an ordinance passed by the Graves County Fiscal Court. The taxes are abated by the county deciding to forego occupational taxes which are otherwise due the county. The Graves County Fiscal Court agreed to participate in the grant incentives under the KBI program contributing 1% of the local occupational tax pursuant to the provisions of KRS 154-32.090. The state to local participation ratio in this grant of incentives shall be 75% to 25%. For the fiscal year ended June 30, 2022, Graves County Fiscal Court abated occupational taxes totaling \$0.

B. Graves County Development Area Brian Drive -1

Occupational taxes were abated under the authority of Graves County Fiscal Court. The Graves County Development Area Brian Drive -1 is eligible to receive this tax abatement due to the purposes of the economic development area to bring incentives to the citizens of the county, pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego occupational taxes that are otherwise due to the county from businesses in this development area. The Graves County Development Area Brian Drive -1 agreed to the following provision: The county will impose a 1% assessment fee on certain newly created jobs as a result of a project within the development area. For fiscal year ended June 30, 2022, the Graves County Fiscal Court abated occupational license taxes totaling \$10,212.

C. WKT Development Area

Real ad valorem and occupational taxes were abated under the authority of Graves County Fiscal Court. The WKT Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego real ad valorem and occupational taxes that are otherwise due to the county from businesses in this development area. The WKT Development Area agreed to the following provision: For a 30 year period, the county has established a job assessment fee of 100% of the gross wages of newly created employees as a result of the project within the development area. For fiscal year ended June 30, 2022, the Graves County Fiscal Court abated real ad valorem and occupational license taxes totaling \$35,448. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge a portion of the incremental revenues of the county from the development area to the payment of redevelopment assistance, project costs, and/or approved public infrastructure costs and financing costs.

D. Gideon's Crossing Development Area

Real ad valorem taxes were abated under the authority of Graves County Fiscal Court. The Gideon's Crossing Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 100% of real ad valorem taxes that are otherwise due to the county, from businesses in this development area for a period of 30 years. For fiscal year ended June 30, 2022, the Graves County Fiscal Court abated real ad valorem taxes totaling \$0. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental revenues created within the local development to pay for project costs and to provide redevelopment assistance for the project.

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

Note 14. Tax Abatements (Continued)

E. Mayfield Shopping Plaza Development Area

Real ad valorem taxes were abated under the authority of Graves County Fiscal Court. The Mayfield Shopping Plaza Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 75% of real ad valorem taxes that are otherwise due to the county from businesses in this development area for a period of 20 years. For fiscal year ended June 30, 2022, the Graves County Fiscal Court abated real ad valorem taxes totaling \$0. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental county revenues created within the development area to pay for project costs and to provide redevelopment assistance for the project.

Note 15. Transfer of Federal Grant (ARPA) Residual Fund Balance To The General Fund

In fiscal year ended June 30, 2021, the Graves County Fiscal Court budgeted State and Local Fiscal Recovery Funds in their Federal Grant (ARPA) Fund. The fund balance as of June 30, 2021 was \$3,710,427. However, in fiscal year ended June 30, 2022, the Federal Grant (ARPA) Fund's residual balance was included as part of the general fund's budgeted beginning fund balance and the Federal Grant (ARPA) Fund was eliminated from their financial statement.

Note 16. Prior Period Adjustments

	General Fund	Road Fund	Jail Fund	Federal Grant (ARPA) Fund	Jail Commissary Fund
Ending Fund Balance Prior Year	\$ 1,677,304	\$ 251,434	\$ 361	\$ 3,710,426	\$ 179,018
Adjustment:					
Residual Fund Balance Transfer	3,710,426			(3,710,426)	
Prior Year Voided Checks	2,791	2,355	1,172		
Removal of Inmate Fund					(94,875)
Beginning Fund Balance - Restated	<u>\$ 5,390,521</u>	<u>\$ 253,789</u>	<u>\$ 1,533</u>	<u>\$ 0</u>	<u>\$ 84,143</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,427,000	\$ 5,013,996	\$ 5,051,878	\$ 37,882
In Lieu Tax Payments	109,000	109,000	93,195	(15,805)
Excess Fees	282,000	590,399	590,400	1
Licenses and Permits	127,300	156,622	174,256	17,634
Intergovernmental	1,274,600	1,386,004	8,440,348	7,054,344
Charges for Services	37,500	37,500	37,500	
Miscellaneous	220,000	3,029,640	3,383,543	353,903
Interest	2,500	2,500	2,613	113
Total Receipts	6,479,900	10,325,661	17,773,733	7,448,072
DISBURSEMENTS				
General Government	4,252,878	5,038,884	4,417,936	620,948
Protection to Persons and Property	472,103	535,356	509,360	25,996
General Health and Sanitation	140,000	142,605	142,605	
Social Services	198,500	203,925	202,668	1,257
Recreation and Culture	80,000	120,750	118,367	2,383
Airports	56,068	68,053	67,865	188
Debt Service	19,200	19,200	19,188	12
Administration	465,718	5,596,680	1,075,896	4,520,784
Total Disbursements	5,684,467	11,725,453	6,553,885	5,171,568
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	795,433	(1,399,792)	11,219,848	12,619,640
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,795,433)	(1,795,433)	(3,237,900)	(1,442,467)
Total Other Adjustments to Cash (Uses)	(1,795,433)	(1,795,433)	(3,237,900)	(1,442,467)
Net Change in Fund Balance	(1,000,000)	(3,195,225)	7,981,948	11,177,173
Fund Balance - Beginning (Restated)	1,000,000	5,335,610	5,390,521	54,911
Fund Balance - Ending	\$ 0	\$ 2,140,385	\$ 13,372,469	\$ 11,232,084

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,638,600	\$ 2,812,252	\$ 2,798,295	\$ (13,957)
Miscellaneous	1,000	11,466	12,189	723
Interest	4,000	4,000	640	(3,360)
Total Receipts	2,643,600	2,827,718	2,811,124	(16,594)
DISBURSEMENTS				
Roads	2,047,902	3,902,727	3,688,090	214,637
Debt Service	36,259	36,259	27,877	8,382
Administration	776,263	(842,859)	318,339	(1,161,198)
Total Disbursements	2,860,424	3,096,127	4,034,306	(938,179)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(216,824)	(268,409)	(1,223,182)	(954,773)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	16,824	16,824	994,000	977,176
Total Other Adjustments to Cash (Uses)	16,824	16,824	994,000	977,176
Net Change in Fund Balance	(200,000)	(251,585)	(229,182)	22,403
Fund Balance - Beginning (Restated)	200,000	251,585	253,789	2,204
Fund Balance - Ending	\$ 0	\$ 0	\$ 24,607	\$ 24,607

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,006,900	\$ 1,075,342	\$ 854,509	\$ (220,833)
Charges for Services	4,000	8,854	7,212	(1,642)
Miscellaneous	19,500	38,933	34,245	(4,688)
Interest	700	700	89	(611)
Total Receipts	<u>1,031,100</u>	<u>1,123,829</u>	<u>896,055</u>	<u>(227,774)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,134,911	2,699,816	2,424,670	275,146
Debt Service		24,500	24,500	
Administration	<u>619,160</u>	<u>122,845</u>	<u>551,083</u>	<u>(428,238)</u>
Total Disbursements	<u>2,754,071</u>	<u>2,847,161</u>	<u>3,000,253</u>	<u>(153,092)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,722,971)</u>	<u>(1,723,332)</u>	<u>(2,104,198)</u>	<u>(380,866)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,722,971</u>	<u>1,722,971</u>	<u>2,184,000</u>	<u>461,029</u>
Total Other Adjustments to Cash (Uses)	<u>1,722,971</u>	<u>1,722,971</u>	<u>2,184,000</u>	<u>461,029</u>
Net Change in Fund Balance		(361)	79,802	80,163
Fund Balance - Beginning (Restated)		<u>361</u>	<u>1,533</u>	<u>1,172</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 81,335</u>	<u>\$ 81,335</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 16,924	\$ 23,164	\$ 23,165	\$ 1
Interest	100	100	25	(75)
Total Receipts	17,024	23,264	23,190	(74)
DISBURSEMENTS				
Roads	200	200		200
Administration		6,240		6,240
Total Disbursements	200	6,440		6,440
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	16,824	16,824	23,190	6,366
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(16,824)	(16,824)	(23,000)	(6,176)
Total Other Adjustments to Cash (Uses)	(16,824)	(16,824)	(23,000)	(6,176)
Net Change in Fund Balance			190	190
Fund Balance - Beginning			69	69
Fund Balance - Ending	\$ 0	\$ 0	\$ 259	\$ 259

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

DISASTER EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 27,000	\$ 27,000	\$ 27,332	\$ 332
Total Receipts	27,000	27,000	27,332	332
DISBURSEMENTS				
Protection to Persons and Property	78,322	77,610	76,613	997
Administration	21,140	21,852	27,255	(5,403)
Total Disbursements	99,462	99,462	103,868	(4,406)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(72,462)	(72,462)	(76,536)	(4,074)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	72,462	72,462	82,900	10,438
Total Other Adjustments to Cash (Uses)	72,462	72,462	82,900	10,438
Net Change in Fund Balance			6,364	6,364
Fund Balance - Beginning			87	87
Fund Balance - Ending	\$ 0	\$ 0	\$ 6,451	\$ 6,451

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

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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

Total Other Adjustments to Cash (Uses) - Budgetary Basis	\$ (3,237,900)
To adjust for change in Payroll Revolving Account	<u>(100,015)</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u><u>\$ (3,337,915)</u></u>
 Fund Balance - Ending - Budgetary Basis	 \$ 13,372,469
To adjust for change in Payroll Revolving Account	<u>(100,015)</u>
Total Fund Balance - Ending - Regulatory Basis	<u><u>\$ 13,272,454</u></u>

Note 3. Excess of Disbursements Over Appropriations

The road fund, administration line-item, exceeded budgeted appropriations by \$1,161,198.

The jail fund, administration line-item, exceeded budgeted appropriations by \$428,238.

The disaster emergency services fund, administration line-item, exceeded budgeted appropriations by \$5,403.

Road fund total disbursements exceed budgeted appropriations by \$938,179.

Jail fund total disbursements exceed budgeted appropriations by \$153,092.

Disaster emergency services fund total disbursements exceed budgeted appropriations by \$4,406.

GRAVES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

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GRAVES COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
<i>Direct Program</i>				
Drug-Free Communities Support Program Grants	93.276		\$	\$ 143,997
Total U.S. Department of Health and Human Services			\$	\$ 143,997
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Emergency Management Performance Grants	97.042		\$	\$ 26,816
<i>Passed-Through State Department of Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4595-KY		80,999
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4630-KY		509,513
Total Disaster Grants - Public Assistance (Presidentially Declared Disaster)			\$	\$ 590,512
Total U.S. Department of Homeland Security			\$	\$ 617,328
<u>U. S. Department of Treasury</u>				
<i>Direct Program</i>				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$	\$ 25,948
Total U.S. Department of Treasury			\$	\$ 25,948
<u>U. S. Department of Transportation</u>				
<i>Passed-Through Kentucky Department of Local Government Highway Safety Cluster</i>				
State and Community Highway Safety	20.600		\$	\$ 8,937
Total U.S. Department of Transportation			\$	\$ 8,937
Total Expenditures of Federal Awards			\$ 0	\$ 796,210

The accompanying notes are an integral part of this schedule.

GRAVES COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Graves County, Kentucky under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of 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, 2022

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GRAVES COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements*	\$ 554,942	\$ 279,600	\$	\$ 834,542
Buildings	13,010,812	28,356	7,989,812	5,049,356
Machinery and Equipment*	2,555,354	150,043	1,948,029	757,368
Vehicles*	2,357,309	485,157	1,342,119	1,500,347
Infrastructure	140,203,961	2,051,461		142,255,422
 Total Capital Assets (*Restated)	 \$ 158,682,378	 \$ 2,994,617	 \$ 11,279,960	 \$ 150,397,035

* See Note 2 - Other Information -Regulatory Basis

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

June 30, 2022

Note 1. Capital Assets

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

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

Note 2. Beginning Balance Restated

The following capital asset category beginning balances were restated as follows:

	<u>Land and Land Improvements</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>
Prior Year Beginning Balance	\$ 555,253	\$ 2,555,353	\$ 2,514,878
Prior Year Error	<u>(311)</u>	<u>1</u>	<u>(157,569)</u>
Beginning Balances Restated	<u>\$ 554,942</u>	<u>\$ 2,555,354</u>	<u>\$ 2,357,309</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

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

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

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, 2022, 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 17, 2023.

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.

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 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, and 2022-006 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)

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 2022-001, 2022-002, 2022-004, and 2022-005.

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 subjected 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 H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 17, 2023

**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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Graves County Fiscal Court complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Graves County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Graves County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Graves County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

Report on Internal Control over Compliance (Continued)

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

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

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

May 17, 2023

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

For The Year Ended June 30, 2022

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

For The Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statement

Type of report the auditor issued on whether the financial statement audited was 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 type="checkbox"/> Yes	<input checked="" 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: Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)

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, 2022
(Continued)

Section II: Financial Statement Findings

2022-001 The Graves County Fiscal Court Did Not Have Adequate Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-002. During fiscal year 2022, the Graves County Fiscal Court had material weaknesses in internal controls and noncompliances over disbursements. The following findings were noted regarding Graves County Fiscal Court's disbursements:

- The Graves County Fiscal Court's purchase order system did not function as designed; purchase orders were either not issued, or for many disbursements, were issued after the invoice was received. We tested 76 transactions totaling \$2,484,758 and noted the following:
 - Twenty-two invoices totaling \$1,012,300 did not have purchase orders.
 - Twenty-seven invoices totaling \$1,286,605 had purchase orders that were issued after the invoice date.
- Five disbursements totaling \$99,618 did not have documentation to support the validity of the disbursement.
- Fourteen disbursements totaling \$253,635 were not paid within 30 working days of the invoice.
- Encumbrances were not properly recorded on the fourth quarter financial statement.
- One check did not have dual signatures.
- Two travel reimbursements used the incorrect per diem rate.
- The fiscal court did not ensure bidding procedures were followed for purchases made by the Agency for Substance Abuse Prevention (ASAP), nor did fiscal court review the invoices.

According to county staff, individuals sometimes make purchases prior to requesting purchase orders. In these instances, the fiscal court will prepare purchase orders when invoices are received. ASAP purchases were not reviewed and bid out because the county does not view these purchases as county obligations.

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.

Strong internal controls require purchase orders to be requested, approved, and issued prior to items being ordered and expenses being incurred to ensure available line-item appropriations exist and adequate supporting documentation is maintained for all disbursements.

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The uniform system of accounts is set forth in the Department for Local Government's *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 54 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, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-001 The Graves County Fiscal Court Did Not Have Adequate Controls Over Disbursements (Continued)

Moreover, the Graves County Administrative Code, adopted by the fiscal court, includes 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.

KRS 65.140(2) states, “[u]nless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice[.]”

KRS 424.260(1) states, “[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
 - (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
 - (c) Equipment; or
 - (d) Contractual services other than professional;
- involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids. This subsection shall not apply to the transfer of property between governmental agencies as authorized in KRS 82.083(4)(a).”

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. We also recommend that encumbrances be reported accurately on the quarterly financial statements. We also recommend the Graves County Fiscal Court maintain supporting documentation for all disbursements and ensure all invoices are paid within thirty days. Furthermore, we recommend the Graves County Fiscal Court implement internal controls over ASAP disbursements.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: Graves County Fiscal Court began using a new software July 1, 2022 with expectations of improvement in the Purchase Order System, disbursements, receipts and overall day to day operations to help alleviate any problems for the future.

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

Section II: Financial Statement Findings (Continued)

2022-002 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By The County Treasurer

This is a repeat finding and was included in the prior year audit report as finding 2021-001. During fiscal year 2022, the Graves County Fiscal Court failed to approve cash transfers prior to them being made by the county treasurer. We tested thirteen cash transfers totaling \$1,415,000. Eight cash transfers totaling \$869,000 were transferred without prior approval; however, they were subsequently approved by fiscal court. Five transfers totaling \$546,000 were approved by a blanket approval order passed by the fiscal court on January 10, 2022, and then individually at each subsequent fiscal court meeting.

According to county personnel, the county was not aware that interfund transfers needed fiscal court approval prior to funds being moved. Because cash transfers occurred before being approved by fiscal court, the county's funds were at an increased risk of being misappropriated.

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

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 Graves County Fiscal Court authorized the County Treasurer to make transfers within the budget as needed with the approval of the transfers taking place at the next Fiscal Court Meeting.

2022-003 The Graves County Fiscal Court Lacks Adequate Controls Over The Fourth Quarter Financial Statement

The Graves County Fiscal Court lacks adequate controls over the fourth quarter financial statement. There were five instances on the fourth quarter financial statement in which appropriations for the total available budget line-items did not cross-foot. This resulted in the total available budget line on the fourth quarter financial statement for three funds being inaccurate. The general fund total was understated by \$827,972; the road fund total was understated by \$6,900, and the DES fund was understated by \$1,075.

When comparing the amount spent per the fourth quarter financial statement with approved budget and budget amendments, three funds overspent the approved budget. The road fund was overspent by \$938,179; the jail fund was overspent by \$153,092, and the DES fund was overspent by \$4,406. It was noted when comparing the budget to actual, that total budget transfers did not zero out. It appears that \$2,140,385 in budget transfers were taken out of the general fund but were not recorded in the other funds. This resulted in the road, jail, and DES fund budgets being overspent.

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

Section II: Financial Statement Findings (Continued)

2022-003 The Graves County Fiscal Court Lacks Adequate Controls Over The Fourth Quarter Financial Statement (Continued)

According to the treasurer, line-items were added to the fourth quarter financial statement, however, due to formula errors that were overlooked, the line-items were excluded from the totals. The budget transfers were not recorded correctly due to error in processing. As a result of the errors, decisions were being made based off inaccurate numbers which may have led to overspent line-items for the road fund, jail fund, and disaster emergency services fund.

Strong internal controls require all financial statements be reviewed to ensure the statements are accurate. Furthermore, the reviewer should be separate from the individual charged with creating the statements.

We recommend the Graves County Fiscal Court strengthen controls by requiring all financial statements be reviewed by someone independent of the reporting process. We further recommend that the reviewer compare the quarterly financial statements to the receipts and disbursements ledgers while also ensuring that the quarterly financial statements are mathematically accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Graves County Fiscal Court began using new software July 1, 2022 with expectations of improvement in the overall day to day operations to help alleviate problems. The financial statements will also be reviewed by someone independent of the reporting to ensure accuracy.

2022-004 The Former Graves County Jailer Failed To Maintain Minimum Accounting Records

This is a repeat finding and was included in the prior year audit report as finding 2021-004. The former Graves County Jailer failed to maintain minimum accounting records as prescribed by the state local finance officer (SLFO). The following issues were noted:

- Receipts were not batched and deposited daily.
- Daily checkout sheets were not prepared.
- Receipts and disbursements ledgers were not maintained.
- Monthly bank reconciliations were not performed for the canteen account.

The aforementioned findings occurred due to a lack of knowledge of proper accounting procedures and a lack of understanding of the types of accounting records required for sound accounting practices. Since the former jailer did not follow the minimum accounting requirements, the former jailer was unable to provide complete and accurate financial records for canteen activities.

KRS 68.210 gives the state local finance officer the authority to prescribe minimum accounting and reporting standards. 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, 2022
(Continued)**

Section II: Financial Statement Findings (Continued)

2022-004 The Former Graves County Jailer Failed To Maintain Minimum Accounting Records (Continued)

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

We recommend the Graves County Jail batch receipts, prepare checkout sheets, and make deposits each day. We further recommend the Graves County Jail maintain receipts and disbursements ledgers and reconcile the bank account for the canteen account.

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.

Former Jailer's Response: The former jailer did not provide a response.

2022-005 The Former Graves County Jailer Failed To Submit An Annual Canteen Report To The County Treasurer

The former Graves County Jailer failed to submit an annual canteen report to the county treasurer. The former jailer submitted monthly reports to the county treasurer. However, due to a lack of understanding of the types of accounts maintained at the jail, the reports submitted to the county treasurer were for the wrong account. Rather than submitting reports for the canteen account, the former jailer submitted reports for the inmate fund.

Due to a lack of internal controls, an annual canteen report was not submitted to the county treasurer, thus, the former Graves County Jailer was not in compliance with KRS 441.135.

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."

In addition, good internal controls over the reporting process are vital to ensure the annual canteen report is prepared and submitted to the county treasurer.

We recommend the Graves County Jail strengthen oversight and controls to ensure the annual canteen report is prepared and submitted to the county treasurer.

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.

Former Jailer's Response: The former jailer did not provide a response.

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

Section II: Financial Statement Findings (Continued)

2022-006 The Graves County Jail Does Not Have Adequate Segregation Of Duties

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The Graves County Jail does not have adequate segregation of duties. Even though the jail has two bookkeepers, they both collect cash, prepare deposits, and post transactions to the inmates' accounts. According to the bookkeepers, they review each other's work, however, 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 can also help prevent inaccurate financial reporting and misappropriation of assets.

We recommend the Graves County Jail segregate duties to the extent possible. If segregation of duties is not possible due to the limited number of staff, appropriate management oversight should be provided to the individual performing these duties. This oversight should include a documented review by management.

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.

Former Jailer's Response: The first 3 years audits were done all at once in the fourth year. We were unaware that this was an issue until then. We were attempting to resolve this issue once you made us aware of it. However, it was already in this year, which is a portion of the problem. Also due to the small size of our staff, this was a hard problem to resolve.

Auditor's Reply: The 2018 audit was performed by a CPA firm and was not completed until December 2021. The APA began the 2019 audit in November 2021. A devastating tornado hit western Kentucky on December 10, 2021 and did much damage to the Graves County Courthouse. The APA paused the audit in order for the county to regroup and deal with the fallout of the catastrophic damage done by the tornado. The county requested auditors restart the 2019 audit as soon as possible and to perform the 2020 audit concurrently with the 2019 audit. The county also requested the APA to do the 2021 audit as soon as was feasible in order to get their audits caught up from the delay caused by the CPA firm.

Section III: Federal Award Findings And Questioned Costs

None.

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

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2021-001	The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By The County Treasurer	Unresolved	See corrective action for current year finding 2022-002
2021-002	The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed	Unresolved	See corrective action for current year finding 2022-001
2021-003	The Graves County Jail Lacks Segregation Of Duties Over Jail Commissary Operations	Unresolved	See corrective action for current year finding 2022-006
2021-004	The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds	Unresolved	See corrective action for current year finding 2022-004
2021-005	The Graves County Fiscal Court Lacks Adequate Controls Over The Budgeting And Reporting Process	Resolved	N/A
2021-006	The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates	Resolved	N/A
2021-007	The Graves County Fiscal Court Lacks Adequate Approval Documentation For Payroll	Resolved	N/A

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

GRAVES COUNTY FISCAL COURT


For The Year Ended June 30, 2022

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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

County Treasurer