

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

**For The Year Ended
June 30, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
GRAVES COUNTY OFFICIALS	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	12
BUDGETARY COMPARISON SCHEDULES.....	43
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	52
SCHEDULE OF CAPITAL ASSETS.....	55
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	56
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	59
SCHEDULE OF FINDINGS AND RESPONSES.....	63
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
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, 2023, 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, 2023, 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, 2023, 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 judgment, 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.

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 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, 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.

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

Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2023-001 The Graves County Fiscal Court Lacks Adequate Controls Over Disbursements
- 2023-002 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By The County Treasurer
- 2023-003 The Graves County Jailer Lacks Effective Management Oversight Of The Jail Commissary
- 2023-004 The Graves County Fiscal Court Did Not Accurately Report Debt Liabilities
- 2023-005 The Graves County Fiscal Court Lacks Adequate Controls Over The Schedule Of Expenditures Of Federal Awards

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 13, 2024

GRAVES COUNTY OFFICIALS**For The Year Ended June 30, 2023****Fiscal Court Members:**

Jesse Perry	County Judge/Executive
Richard Galloway	Commissioner (7/1/2022 through 12/31/2022)
Tyler Goodman	Commissioner
Todd Hayden	Commissioner
Dannie W. Winfrey	Commissioner (1/1/2023 through 6/30/2023)

Other Elected Officials:

John Cunningham	County Attorney
George Workman	Jailer (7/1/2022 through 12/31/2022)
Kelli Elliott	Jailer (1/1/2023 through 6/30/2023)
Kimberly Gills	County Clerk
Emily Buzanis	Circuit Court Clerk
Jon Hayden	Sheriff
Howell Carr	Property Valuation Administrator
Brad Jones	Coroner

Appointed Personnel:

Codie Courtney	County Treasurer
Lori Hendley	Finance Officer

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 5,776,863	\$	\$
In Lieu Tax Payments	92,336		
Excess Fees	512,825		
Licenses and Permits	190,521		
Intergovernmental	1,682,399	3,600,301	1,075,074
Charges for Services	37,500		12,530
Miscellaneous	7,587,097	208,123	19,541
Interest	210,799	27,026	4,994
Total Receipts	<u>16,090,340</u>	<u>3,835,450</u>	<u>1,112,139</u>
DISBURSEMENTS			
General Government	5,299,354		
Protection to Persons and Property	370,542		3,144,871
General Health and Sanitation	174,800		
Social Services	336,304		
Recreation and Culture	451,199		
Roads		3,332,002	
Airports	72,033		
Debt Service	19,203	85,080	19,355
Capital Projects	20,000		
Administration	669,851	311,981	477,463
Total Disbursements	<u>7,413,286</u>	<u>3,729,063</u>	<u>3,641,689</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>8,677,054</u>	<u>106,387</u>	<u>(2,529,550)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		108,562	
Change in Payroll Revolving Account	31,559		
Transfers From Other Funds	6,232	519,500	2,509,000
Transfers To Other Funds	(3,088,100)		
Total Other Adjustments to Cash (Uses)	<u>(3,050,309)</u>	<u>628,062</u>	<u>2,509,000</u>
Net Change in Fund Balance	5,626,745	734,449	(20,550)
Fund Balance - Beginning (Restated)	5,954,134	24,607	81,635
Fund Balance - Ending	<u>\$ 11,580,879</u>	<u>\$ 759,056</u>	<u>\$ 61,085</u>
Composition of Fund Balance			
Bank Balance	\$ 11,690,390	\$ 781,550	\$ 113,208
Payroll Revolving Account Reconciled Balance	(15,981)		
Less: Outstanding Checks	(93,530)	(22,494)	(52,123)
Fund Balance - Ending	<u>\$ 11,580,879</u>	<u>\$ 759,056</u>	<u>\$ 61,085</u>

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

GRAVES COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2023
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Disaster Emergency Services Fund	Alcohol Regulatory License Fee Fund	Grant Fund	Opioid Settlement Fund	Clerk Storage Fee Fund
\$	\$	\$	\$	\$	\$
		2,969			
33,624	30,658		2,672,933	113,085	
			2,264		90,560
726	144	132	169,300	1,655	1,808
<u>34,350</u>	<u>30,802</u>	<u>3,101</u>	<u>2,844,497</u>	<u>114,740</u>	<u>92,368</u>
			36,000		256
	93,630	15,217			
				113,085	
			2,287,378		
	23,540				
	<u>117,170</u>	<u>15,217</u>	<u>2,323,378</u>	<u>113,085</u>	<u>256</u>
<u>34,350</u>	<u>(86,368)</u>	<u>(12,116)</u>	<u>521,119</u>	<u>1,655</u>	<u>92,112</u>
	87,000	6,000		100	
(33,500)			(6,232)		
<u>(33,500)</u>	<u>87,000</u>	<u>6,000</u>	<u>(6,232)</u>	<u>100</u>	
850	632	(6,116)	514,887	1,755	92,112
259	8,452	10,228	7,310,051		
<u>\$ 1,109</u>	<u>\$ 9,084</u>	<u>\$ 4,112</u>	<u>\$ 7,824,938</u>	<u>\$ 1,755</u>	<u>\$ 92,112</u>
\$ 1,109	\$ 9,417	\$ 4,112	\$ 7,826,098	\$ 1,755	\$ 92,112
	(333)		(1,160)		
<u>\$ 1,109</u>	<u>\$ 9,084</u>	<u>\$ 4,112</u>	<u>\$ 7,824,938</u>	<u>\$ 1,755</u>	<u>\$ 92,112</u>

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

GRAVES COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2023
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 5,776,863
In Lieu Tax Payments		92,336
Excess Fees		512,825
Licenses and Permits		193,490
Intergovernmental		9,094,989
Charges for Services		163,115
Miscellaneous	45,282	7,952,867
Interest	45	416,629
Total Receipts	<u>45,327</u>	<u>24,203,114</u>
DISBURSEMENTS		
General Government		5,335,610
Protection to Persons and Property		3,624,260
General Health and Sanitation		174,800
Social Services		449,389
Recreation and Culture	39,600	490,799
Roads		3,332,002
Airports		72,033
Debt Service		123,638
Capital Projects		2,307,378
Administration		1,482,835
Total Disbursements	<u>39,600</u>	<u>17,392,744</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>5,727</u>	<u>6,810,370</u>
Other Adjustments to Cash (Uses)		
Financing Obligation Proceeds		108,562
Change in Payroll Revolving Account		31,559
Transfers From Other Funds		3,127,832
Transfers To Other Funds		(3,127,832)
Total Other Adjustments to Cash (Uses)		<u>140,121</u>
Net Change in Fund Balance	5,727	6,950,491
Fund Balance - Beginning (Restated)	83,233	13,472,599
Fund Balance - Ending	<u>\$ 88,960</u>	<u>\$ 20,423,090</u>
Composition of Fund Balance		
Bank Balance	\$ 89,183	\$ 20,608,934
Payroll Revolving Account Reconciled Balance		(15,981)
Less: Outstanding Checks	<u>(223)</u>	<u>(169,863)</u>
Fund Balance - Ending	<u>\$ 88,960</u>	<u>\$ 20,423,090</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
NOTE 2.	DEPOSITS	15
NOTE 3.	TRANSFERS.....	16
NOTE 4.	CUSTODIAL FUNDS	16
NOTE 5.	LEASES	17
NOTE 6.	SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA).....	30
NOTE 7.	LONG-TERM DEBT	31
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	33
NOTE 9.	DEFERRED COMPENSATION.....	36
NOTE 10.	INSURANCE.....	36
NOTE 11.	PAYROLL REVOLVING ACCOUNT	36
NOTE 12.	CONDUIT DEBT.....	37
NOTE 13.	TAX ABATEMENTS	37
NOTE 14.	PRIOR PERIOD ADJUSTMENTS	39

**GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

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.

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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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.

Alcohol Regulatory License Fee Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with liquor licensing. The primary source of receipts for this fund is alcohol license fees.

Grant Fund - The primary purpose of this fund is to account for federal and state grant receipts and federal and state grant disbursements.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

Clerk Storage Fee Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the preservation of records within the county clerk's recording department. The primary source of receipts of this fund is the county clerk's collection of storage fees.

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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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

E. 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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 maintains 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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 2. Deposits (Continued)

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, 2023, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2023.

	General Fund	LGEA Fund	Grant Fund	Total Transfers In
General Fund	\$	\$	\$ 6,232	\$ 6,232
Road Fund	486,000	33,500		519,500
Jail Fund	2,509,000			2,509,000
Disaster Emergency Services Fund	87,000			87,000
Alcohol Regulatory License Fund	6,000			6,000
Opioid Settlement Fund	100			100
Total Transfers Out	<u>\$ 3,088,100</u>	<u>\$ 33,500</u>	<u>\$ 6,232</u>	<u>\$ 3,127,832</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, 2023, was \$61,152.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases

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. 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 \$800 per month for the license. For fiscal year ending June 30, 2023, the county paid a total of \$8,400 as part of the lease.

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. As of June 30, 2023, the value of the lease liability was \$47,500. Graves County was 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 remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 31,250
2025	<u>16,250</u>
	<u>\$ 47,500</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. As of June 30, 2023, the value of the lease liability was \$79,800. Graves County was 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 remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 52,500
2025	<u>27,300</u>
	<u>\$ 79,800</u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

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. As of June 30, 2023, the value of the lease liability was \$24,700. Graves County was 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 remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 16,250
2025	<u>8,450</u>
	<u>\$ 24,700</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. As of June 30, 2023, the value of the lease liability was \$2,285. 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, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 1,958
2025	<u>327</u>
	<u>\$ 2,285</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 John Deere 310 SL loader backhoe. An initial liability was recorded in the amount of \$44,212. The term of the lease ended in February 2023, and the piece of equipment was returned to the lessor.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (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. The term of the lease ended, and the county returned the piece of equipment and stopped making payments in March 2023.

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. As of June 30, 2023, the value of the lease liability was \$17,913. 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, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	<u>\$ 17,913</u>
	<u><u>\$ 17,913</u></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. As of June 30, 2023, the value of the lease liability was \$4,003. The Graves County Fiscal Court is required to make monthly payments of \$400. The remaining lease payments as of June 30, 2023, were as follows:

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

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. The term of the original lease expired in June 2023, however, the county opted to continue the lease on a month-to-month basis.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

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. As of June 30, 2023, the value of the lease liability was \$14,872. The Graves County Fiscal Court is required to make monthly payments of \$875. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 10,497
2025	<u>4,375</u>
	<u>\$ 14,872</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. As of June 30, 2023, the value of the lease liability was \$15,473. The Graves County Fiscal Court is required to make monthly payments of \$910. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 10,922
2025	<u>4,551</u>
	<u>\$ 15,473</u>

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. As of June 30, 2023, the value of the lease liability was \$7,499. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

13. 2019 Ford F-250 (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 6,921
2025	<u>578</u>
	<u>\$ 7,499</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. As of June 30, 2023, the value of the lease liability was \$7,499. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 6,921
2025	<u>578</u>
	<u>\$ 7,499</u>

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. As of June 30, 2023, the value of the lease liability was \$7,499. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 6,921
2025	<u>578</u>
	<u>\$ 7,499</u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

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. As of June 30, 2023, the value of the lease liability was \$7,499. The Graves County Fiscal Court is required to make monthly payments of \$577. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 6,921
2025	<u>578</u>
	<u>\$ 7,499</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. As of June 30, 2023, the value of the lease liability was \$19,388. The Graves County Fiscal Court is required to make monthly payments of \$473. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 5,674
2025	5,674
2026	5,674
2027	<u>2,366</u>
	<u>\$ 19,388</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. As of June 30, 2023, the value of the lease liability was \$19,388. The Graves County Fiscal Court is required to make monthly payments of \$473. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

18. 2021 Ford F-150 (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 5,674
2025	5,674
2026	5,674
2027	<u>2,366</u>
	<u>\$ 19,388</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. The term of the original lease expired in May 2023, however, the county opted to continue the lease on a month-to-month basis through the end of the fiscal year.

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. As of June 30, 2023, the value of the lease liability was \$3,308. The Graves County Fiscal Court is required to make monthly payments of \$662. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	<u>\$ 3,308</u>
	<u>\$ 3,308</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. As of June 30, 2023, the value of the lease liability was \$3,540. The Graves County Fiscal Court is required to make monthly payments of \$708. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

21. 2019 Dodge Charger (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 3,540
	<u>\$ 3,540</u>

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. As of June 30, 2023, the value of the lease liability was \$7,465. The Graves County Fiscal Court is required to make monthly payments of \$467. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 5,599
2025	<u>1,866</u>
	<u>\$ 7,465</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. As of June 30, 2023, the value of the lease liability was \$17,354. The Graves County Fiscal Court is required to make monthly payments of \$694. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 8,330
2025	8,330
2026	<u>694</u>
	<u>\$ 17,354</u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

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. As of June 30, 2023, the value of the lease liability was \$20,776. The Graves County Fiscal Court is required to make monthly payments of \$903. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 10,840
2025	<u>9,936</u>
	<u>\$ 20,776</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. As of June 30, 2023, the value of the lease liability was \$20,815. The Graves County Fiscal Court is required to make monthly payments of \$905. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 10,860
2025	<u>9,955</u>
	<u>\$ 20,815</u>

26. 2018 Dodge Charger

On September 6, 2018, the Graves County Fiscal Court entered into a 57-month lease agreement as lessee for the use of a 2018 Dodge Charger. An initial lease liability was recorded in the amount of \$33,046. The term of the lease ended in June 2023.

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. The lease ended and the county stopped making payments on the lease in October 2022.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

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. The term of the lease ended, and the county stopped making payments in March 2023.

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. The lease was terminated, and the county stopped making payments in March 2023.

30. 2022 Nissan Altima

On July 15, 2022, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Nissan Altima. An initial lease liability was recorded in the amount of \$21,357. As of June 30, 2023, the value of the lease liability was \$16,462. The Graves County Fiscal Court is required to make monthly payments of \$445. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended	
June 30	Amount
2024	\$ 5,339
2025	5,339
2026	5,339
2027	445
	<u>\$ 16,462</u>

31. 2022 Dodge Charger

On August 18, 2022, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Dodge Charger. An initial lease liability was recorded in the amount of \$33,182. As of June 30, 2023, the value of the lease liability was \$26,269. The Graves County Fiscal Court is required to make monthly payments of \$691. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

31. 2022 Dodge Charger (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 8,295
2025	8,296
2026	8,295
2027	<u>1,383</u>
	<u>\$ 26,269</u>

32. 2022 Dodge Charger

On August 18, 2022, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Dodge Charger. An initial lease liability was recorded in the amount of \$33,182. As of June 30, 2023, the value of the lease liability was \$26,269. The Graves County Fiscal Court is required to make monthly payments of \$691. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 8,295
2025	8,296
2026	8,295
2027	<u>1,383</u>
	<u>\$ 26,269</u>

33. 2023 Dodge Durango

On April 21, 2023, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2023 Dodge Durango. An initial lease liability was recorded in the amount of \$38,451. As of June 30, 2023, the value of the lease liability was \$36,849. The Graves County Fiscal Court is required to make monthly payments of \$801. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

33. 2023 Dodge Durango (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 9,613
2025	9,613
2026	9,613
2027	9,613
2028	<u>8,010</u>
	<u>\$ 46,462</u>

34. 2023 Dodge Durango

On May 5, 2023, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2023 Dodge Durango. An initial lease liability was recorded in the amount of \$46,086. As of June 30, 2023, the value of the lease liability was \$45,126. The Graves County Fiscal Court is required to make monthly payments of \$960. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 11,522
2025	11,522
2026	11,521
2027	<u>10,561</u>
	<u>\$ 45,126</u>

35. Loader Backhoe

On February 22, 2023, the Graves County Fiscal Court entered into a five-year lease agreement as the lessee for the use of a John Deere 310 SL loader backhoe. An initial liability was recorded in the amount of \$107,135. As of June 30, 2023, the value of the lease liability was \$98,207. The Graves County Fiscal Court is required to make monthly payments of \$1,786 and has a purchase price option of \$69,553 that the county is reasonably certain it will not exercise. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

35. Loader Backhoe (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 21,427
2025	21,427
2026	21,427
2027	21,427
2028	<u>12,499</u>
	<u>\$ 98,207</u>

36. Tractor with Front Loader

The Graves County Fiscal Court entered into a four-year lease agreement that started on May 24, 2023, as the lessee for the use of John Deere tractor with a front-end loader. An initial liability was recorded in the amount of \$44,578. As of June 30, 2023, the value of the lease liability was \$33,434. The Graves County Fiscal Court is required to make annual payments of \$11,145 and has a purchase price option of \$26,277 that the county is reasonably certain it will not exercise. The remaining lease payments as of June 30, 2023 were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 11,145
2025	11,145
2026	<u>11,144</u>
	<u>\$ 33,434</u>

37. 2022 Dodge Charger

On June 21, 2022, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Dodge Charger. An initial lease liability was recorded in the amount of \$3,139. As of June 30, 2023, the value of the lease liability was \$2,354. The Graves County Fiscal Court is required to make monthly payments of \$65. The remaining lease payments as of June 30, 2023, were as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 5. Leases (Continued)

37. 2022 Dodge Charger (Continued)

Fiscal Year Ended June 30	Amount
2024	\$ 785
2025	785
2026	<u>784</u>
	<u>\$ 2,354</u>

38. 2022 Dodge Charger

On June 21, 2022, the Graves County Fiscal Court entered into a four-year lease agreement as lessee for the use of a 2022 Dodge Charger. An initial lease liability was recorded in the amount of \$3,139. As of June 30, 2023, the value of the lease liability was \$2,354. The Graves County Fiscal Court is required to make monthly payments of \$65. The remaining lease payments as of June 30, 2023, were as follows:

Fiscal Year Ended June 30	Amount
2024	\$ 785
2025	785
2026	<u>784</u>
	<u>\$ 2,354</u>

Note 6. Subscription-Based Information Technology Arrangements (SBITA)

A. SBITA – FiscalBooks Accounting Subscription

In October 2021, the Graves County Fiscal Court entered into a subscription-based technology arrangement for accounting software in the finance department. The subscription terms are 20 years totaling \$14,995, and the Graves County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0.

B. SBITA – FiscalPay Accounting Subscription

In October 2021, the Graves County Fiscal Court entered into a subscription-based technology arrangement for accounting software in the finance department. The subscription terms are 20 years totaling \$16,200, and the Graves County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Subscription-Based Information Technology Arrangements (SBITA) (Continued)

C. SBITA – FiscalTax Accounting Subscription

In October 2021, the Graves County Fiscal Court entered into a subscription-based technology arrangement for accounting software in the finance department. The subscription terms are 20 years totaling \$14,995, and the Graves County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0.

D. SBITA – FiscalExpress Accounting Subscription

In October 2021, the Graves County Fiscal Court entered into a subscription-based technology arrangement for accounting software in the finance department. The subscription terms are 20 years totaling \$9,995, and the Graves County Fiscal Court will receive the right-to-use subscription asset (intangible asset). As of June 30, 2023, the value of the subscription liability was \$0.

Note 7. 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, 2023, all principal and interest obligations had been met.

2. Park Land

On January 11, 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, 2023, all principal and interest obligations had been met.

3. Securus Body 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, 2023, the lease principal was \$49,345. Future principal and interest requirements are as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Long-Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Securus Body Scanner (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 42,000	\$
2025	7,345	
Totals	<u>\$ 49,345</u>	<u>\$ 0</u>

4. Mini Excavator

On November 30, 2022, the Graves County Fiscal Court entered into a government obligation contract with Lease Servicing Center, Inc. (LSC) for the purpose of purchasing a mini excavator for the road department. The principal on the lease is \$108,562 with repayment to be made over 60 months with interest set at 6.587%. The excavator is pledged as collateral. Upon an event of default, LSC 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 LSC may repossess the unit by giving the fiscal court written notice to deliver the units to LSC, or in the event the fiscal court fails to do so within fifteen days after receipt of such notice, and subject to all applicable laws, LSC may enter upon the fiscal court's premises and take possession of the unit. As of June 30, 2023, the lease principal was 97,919. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 18,060	\$ 5,410
2025	20,980	4,624
2026	22,401	3,203
2027	23,918	1,685
2028	12,560	242
Totals	<u>\$ 97,919</u>	<u>\$ 15,164</u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Long-Term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 157,547	\$ 108,562	\$ 118,845	\$ 147,264	\$ 60,060
Total Long-term Debt	<u>\$ 157,547</u>	<u>\$ 108,562</u>	<u>\$ 118,845</u>	<u>\$ 147,264</u>	<u>\$ 60,060</u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 60,060	\$ 5,410
2025	28,325	4,624
2026	22,401	3,203
2027	23,918	1,685
2028	12,560	242
Totals	<u>\$ 147,264</u>	<u>\$ 15,164</u>

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 2021 was \$995,310, FY 2022 was \$1,153,937, and FY 2023 was \$1,165,305.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous

Nonhazardous covered employees are required to contribute five percent (5%) of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent (6%) of their salary to be allocated as follows: five percent (5%) will go to the member's account and one percent (1%) 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 five percent (5%) of their annual creditable compensation. Nonhazardous covered members also contribute one percent (1%) 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. 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 four percent (4%) 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 26.79 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%

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 78.5536.

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

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

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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Ky. Ret. Sys. 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.

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, 2023, 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. Payroll Revolving Account

The reconciled balance of the payroll revolving account of \$(15,981) as of June 30, 2023, was added to the general fund cash balance for financial reporting purposes.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 12. Conduit Debt

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

Note 13. 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 of incentives under the KBI program by contributing 1% of the local occupational tax pursuant to the provisions of KRS 154-32.090. The state local participation ratio in this grant of incentives shall be 75% to 25%. For the fiscal year ended June 30, 2023, the 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 the 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, 2023, the Graves County Fiscal Court abated Occupational License taxes totaling \$9,914.

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, by 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: 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 a period of 30 years. For fiscal year ended June 30, 2023, the Graves County Fiscal Court abated real ad valorem and occupational license taxes totaling \$33,287. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge of 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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 13. Tax Abatements (Continued)

D. Gideon's Crossing Development Area

Real ad valorem taxes were abated under the authority of the 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, by 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, 2023, the Graves County Fiscal Court abated real ad valorem taxes totaling \$4,196. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental revenues created by within the local development to pay for project costs and provide redevelopment assistance for the project.

E. Mayfield Shopping Plaza Development Area

Real ad valorem taxes were abated under the authority of the 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, by pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 75% of real ad valorem 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, 2023, the Graves County Fiscal Court abated real ad valorem taxes totaling \$1,154. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental county revenues created by within the development area to pay for project costs and provide redevelopment assistance for the project.

F. Grace Commercial Park Development Area

Real ad valorem taxes were abated under the authority of the Graves County Fiscal Court. The Grace Commercial Park Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county, by pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 100% of ad valorem taxes and occupational taxes that are otherwise due to the county, from business in this development area for a period of 30 years. For fiscal year ended June 30, 2023, the Graves County Fiscal Court abated real ad valorem and occupational taxes totaling \$0. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental revenues created by within the local development to pay for project costs and provide redevelopment assistance for the project.

G. Mayfield Consumer Products, LLC

Occupational taxes were abated under the authority of the Graves County Fiscal Court. Mayfield Consumer Products, LLC is eligible to receive this tax abatement due to a Memorandum of Agreement 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 of incentives under the KBI program by contributing 1% of the local occupational tax pursuant to the provisions of KRS 154-32.090. For the fiscal year ended June 30, 2023, the Graves County Fiscal Court abated occupational taxes totaling \$0.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 14. Prior Period Adjustments

	<u>General Fund</u>	<u>Jail Fund</u>	<u>Disaster Emergency Services Fund</u>	<u>Alcohol Regulatory License Fund</u>	<u>Grant Fund</u>
Ending Fund Balance Prior Year	\$ 13,319,995	\$ 81,335	\$ 6,452	\$	\$
Adjustment:					
Transfer Fund Balance - Alcohol Regulatory License Acct.	(10,228)			10,228	
Transfer Fund Balance - Grant Account	(7,310,051)				7,310,051
Prior Year Payroll Balance	(47,540)				
Prior Year Voided Checks	<u>1,958</u>	<u>300</u>	<u>2,000</u>		
Beginning Fund Balance - Restated	<u>\$ 5,954,134</u>	<u>\$ 81,635</u>	<u>\$ 8,452</u>	<u>\$ 10,228</u>	<u>\$7,310,051</u>

In fiscal year ended June 30, 2022, the fiscal court included the alcohol regulatory license account and the grant fund account in the general fund. In fiscal year ended June 30, 2023, these accounts were budgeted as separate funds.

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 4,921,000	\$ 5,691,262	\$ 5,776,863	\$ 85,601
In Lieu Tax Payments	93,000	93,606	92,336	(1,270)
Excess Fees	417,000	515,715	512,825	(2,890)
Licenses and Permits	149,500	166,035	190,521	24,486
Intergovernmental	1,188,400	1,584,824	1,682,399	97,575
Charges for Services	37,500	37,500	37,500	
Miscellaneous	231,000	2,772,209	7,587,097	4,814,888
Interest	2,500	134,634	210,799	76,165
Total Receipts	<u>7,039,900</u>	<u>10,995,785</u>	<u>16,090,340</u>	<u>5,094,555</u>
DISBURSEMENTS				
General Government	4,423,905	5,948,558	5,299,354	649,204
Protection to Persons and Property	379,303	580,814	370,542	210,272
General Health and Sanitation	147,500	174,800	174,800	
Social Services	198,500	336,615	336,304	311
Recreation and Culture	97,000	451,200	451,199	1
Airports	70,150	73,665	72,033	1,632
Debt Service	19,200	19,203	19,203	
Capital Projects	2,217,538	2,307,030	20,000	2,287,030
Administration	464,152	3,584,613	669,851	2,914,762
Total Disbursements	<u>8,017,248</u>	<u>13,476,498</u>	<u>7,413,286</u>	<u>6,063,212</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(977,348)</u>	<u>(2,480,713)</u>	<u>8,677,054</u>	<u>11,157,767</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,232	6,232
Transfers To Other Funds	<u>(1,795,433)</u>	<u>(1,795,433)</u>	<u>(3,088,100)</u>	<u>(1,292,667)</u>
Total Other Adjustments to Cash (Uses)	<u>(1,795,433)</u>	<u>(1,795,433)</u>	<u>(3,081,868)</u>	<u>(1,286,435)</u>
Net Change in Fund Balance	(2,772,781)	(4,276,146)	5,595,186	9,871,332
Fund Balance - Beginning (Restated)	<u>2,772,781</u>	<u>6,001,673</u>	<u>5,954,134</u>	<u>(47,539)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 1,725,527</u>	<u>\$ 11,549,320</u>	<u>\$ 9,823,793</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,684,346	\$ 3,611,420	\$ 3,600,301	\$ (11,119)
Miscellaneous	761,000	780,952	208,123	(572,829)
Interest	4,000	19,658	27,026	7,368
Total Receipts	<u>3,449,346</u>	<u>4,412,030</u>	<u>3,835,450</u>	<u>(576,580)</u>
DISBURSEMENTS				
Roads	2,788,284	5,769,684	3,332,002	2,437,682
Debt Service		85,080	85,080	
Administration	681,062	321,600	311,981	9,619
Total Disbursements	<u>3,469,346</u>	<u>6,176,364</u>	<u>3,729,063</u>	<u>2,447,301</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(1,764,334)</u>	<u>106,387</u>	<u>1,870,721</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			108,562	108,562
Transfers From Other Funds	20,000	20,000	519,500	499,500
Total Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>20,000</u>	<u>628,062</u>	<u>608,062</u>
Net Change in Fund Balance		(1,744,334)	734,449	2,478,783
Fund Balance - Beginning		<u>24,607</u>	<u>24,607</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (1,719,727)</u>	<u>\$ 759,056</u>	<u>\$ 2,478,783</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,506,600	\$ 1,842,040	\$ 1,075,074	\$ (766,966)
Charges for Services	7,500	9,957	12,530	2,573
Miscellaneous	7,000	7,000	19,541	12,541
Interest	100	3,927	4,994	1,067
Total Receipts	<u>1,521,200</u>	<u>1,862,924</u>	<u>1,112,139</u>	<u>(750,785)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,712,891	3,281,149	3,144,871	136,278
Debt Service			19,355	(19,355)
Administration	634,970	490,070	477,463	12,607
Total Disbursements	<u>3,347,861</u>	<u>3,771,219</u>	<u>3,641,689</u>	<u>129,530</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,826,661)</u>	<u>(1,908,295)</u>	<u>(2,529,550)</u>	<u>(621,255)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,904,161</u>	<u>1,904,161</u>	<u>2,509,000</u>	<u>604,839</u>
Total Other Adjustments to Cash (Uses)	<u>1,904,161</u>	<u>1,904,161</u>	<u>2,509,000</u>	<u>604,839</u>
Net Change in Fund Balance	77,500	(4,134)	(20,550)	(16,416)
Fund Balance - Beginning (Restated)		<u>81,634</u>	<u>81,635</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 77,500</u>	<u>\$ 77,500</u>	<u>\$ 61,085</u>	<u>\$ (16,415)</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 33,623	\$ 33,624	\$ 1
Interest	100	493	726	233
Total Receipts	<u>20,100</u>	<u>34,116</u>	<u>34,350</u>	<u>234</u>
DISBURSEMENTS				
Roads	100	100		100
Administration		14,275		14,275
Total Disbursements	<u>100</u>	<u>14,375</u>		<u>14,375</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>19,741</u>	<u>34,350</u>	<u>14,609</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>(33,500)</u>	<u>(13,500)</u>
Total Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(33,500)</u>	<u>(13,500)</u>
Net Change in Fund Balance		(259)	850	1,109
Fund Balance - Beginning		<u>259</u>	<u>259</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,109</u>	<u>\$ 1,109</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

DISASTER EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 27,000	\$ 27,000	\$ 30,658	\$ 3,658
Interest		88	144	56
Total Receipts	<u>27,000</u>	<u>27,088</u>	<u>30,802</u>	<u>3,714</u>
DISBURSEMENTS				
Protection to Persons and Property	86,022	96,561	93,630	2,931
Administration	<u>24,520</u>	<u>24,520</u>	<u>23,540</u>	<u>980</u>
Total Disbursements	<u>110,542</u>	<u>121,081</u>	<u>117,170</u>	<u>3,911</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(83,542)</u>	<u>(93,993)</u>	<u>(86,368)</u>	<u>7,625</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	83,542	83,542	87,000	3,458
Total Other Adjustments to Cash (Uses)	<u>83,542</u>	<u>83,542</u>	<u>87,000</u>	<u>3,458</u>
Net Change in Fund Balance		(10,451)	632	11,083
Fund Balance - Beginning (Restated)		<u>8,451</u>	<u>8,452</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,000)</u>	<u>\$ 9,084</u>	<u>\$ 11,084</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ALCOHOL REGULATORY LICENSE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 2,800	\$ 2,800	\$ 2,969	\$ 169
Interest		101	132	31
Total Receipts	<u>2,800</u>	<u>2,901</u>	<u>3,101</u>	<u>200</u>
DISBURSEMENTS				
Protection to Persons and Property	12,600	16,928	15,217	1,711
Total Disbursements	<u>12,600</u>	<u>16,928</u>	<u>15,217</u>	<u>1,711</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(9,800)</u>	<u>(14,027)</u>	<u>(12,116)</u>	<u>1,911</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,000	6,000
Total Other Adjustments to Cash (Uses)			<u>6,000</u>	<u>6,000</u>
Net Change in Fund Balance	(9,800)	(14,027)	(6,116)	7,911
Fund Balance - Beginning (Restated)	9,800	10,227	10,228	1
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (3,800)</u>	<u>\$ 4,112</u>	<u>\$ 7,912</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	GRANT FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,619,242	\$ 3,734,242	\$ 2,672,933	\$ (1,061,309)
Miscellaneous			2,264	2,264
Interest		126,953	169,300	42,347
Total Receipts	<u>3,619,242</u>	<u>3,861,195</u>	<u>2,844,497</u>	<u>(1,016,698)</u>
DISBURSEMENTS				
General Government	84,000	84,000	36,000	48,000
Capital Projects	7,130,484	7,748,484	2,287,378	5,461,106
Administration		3,338,762		3,338,762
Total Disbursements	<u>7,214,484</u>	<u>11,171,246</u>	<u>2,323,378</u>	<u>8,847,868</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(3,595,242)</u>	<u>(7,310,051)</u>	<u>521,119</u>	<u>7,831,170</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(6,232)	(6,232)
Total Other Adjustments to Cash (Uses)			<u>(6,232)</u>	<u>(6,232)</u>
Net Change in Fund Balance	(3,595,242)	(7,310,051)	514,887	7,824,938
Fund Balance - Beginning (Restated)	<u>3,595,242</u>	<u>7,310,051</u>	<u>7,310,051</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,824,938</u>	<u>\$ 7,824,938</u>

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Charges for Services	\$	\$ 113,085	\$ 113,085	\$
Interest		800	1,655	855
Total Receipts		113,885	114,740	855
DISBURSEMENTS				
Social Services		113,100	113,085	15
Administration		785		785
Total Disbursements		113,885	113,085	800
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			1,655	1,655
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100	100
Total Other Adjustments to Cash (Uses)			100	100
Net Change in Fund Balance			1,755	1,755
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,755	\$ 1,755

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

CLERK STORAGE FEE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 82,580	\$ 90,560	\$ 7,980
Interest		1,115	1,808	693
Total Receipts		<u>83,695</u>	<u>92,368</u>	<u>8,673</u>
DISBURSEMENTS				
General Government		11,500	256	11,244
Administration		72,195		72,195
Total Disbursements		<u>83,695</u>	<u>256</u>	<u>83,439</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>92,112</u>	<u>92,112</u>
Net Change in Fund Balance			92,112	92,112
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 92,112	\$ 92,112

GRAVES COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2023

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	\$ (3,081,868)
To adjust for change in Payroll Revolving Account	<u>31,559</u>
Total Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ (3,050,309)</u>
Fund Balance - Ending - Budgetary Basis	\$ 11,549,320
To adjust for change in Payroll Revolving Account	<u>31,559</u>
Total Fund Balance - Ending - Regulatory Basis	<u>\$ 11,580,879</u>

Note 3. Excess of Disbursements Over Appropriations

The jail fund, debt service line-item exceeded budgeted appropriations by \$19,355.

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

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

GRAVES COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 834,542	\$ 60,000	\$	\$ 894,542
Buildings and Building Improvements	5,049,356	800,000	50,000	5,799,356
Vehicles*	1,593,338	881,160	146,776	2,327,722
Machinery and Equipment	757,367	135,914	28,151	865,130
Infrastructure	142,255,422			142,255,422
Total Capital Assets (*Restated)	<u>\$150,490,025</u>	<u>\$ 1,877,074</u>	<u>\$ 224,927</u>	<u>\$152,142,172</u>

* See Note 2 - Other Information - Regulatory Basis

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

June 30, 2023

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 and Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Vehicles	\$ 5,000	3-25
Machinery and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

Note 2. Beginning Balance Restated

The following capital asset category beginning balance was restated as follows:

	<u>Vehicles</u>
Prior Year Beginning Balance	\$ 1,500,347
Prior Year Error	<u>736,860</u>
Beginning Balance Restated	<u>\$ 2,237,207</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***

THIS PAGE LEFT BLANK INTENTIONALLY



ALLISON BALL
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, 2023, 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 March 13, 2024.

Report on 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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses other deficiencies that we consider to be significant deficiencies.

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 Responses as items 2023-001, 2023-002, and 2023-003 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)

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-004 and 2023-005 to be significant deficiencies.

Report on 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 Responses as items 2023-001, 2023-002, and 2023-003.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Graves County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

March 13, 2024

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 The Graves County Fiscal Court Lacks Adequate Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2022-001. During fiscal year 2023, the Graves County Fiscal Court lacked adequate controls over disbursements. Due to the lack of controls, the following findings were noted:

- The purchase order system did not function as designed. Numerous purchase orders were issued after the invoices were received, and available line-item appropriations were not monitored when purchase orders were issued. We tested 96 transactions totaling \$4,607,328. Thirty (30) transactions, which totaled \$1,360,420, had purchase orders that were issued after the invoice date. Furthermore, there were thirty-five (35) transactions for which purchase orders were issued and payments were made, even though appropriations for the respective line-items were already overspent.
- Seven (7) disbursements totaling \$815,828 were not paid within 30 working days.
- Three (3) disbursements totaling \$466,100 were not presented to the fiscal court before payment.
- Two (2) employees were paid travel per diem that exceeded the approved per diem rates.
- One (1) travel reimbursement was not signed by the employee.
- The fiscal court spent more than 65% of the budget for the alcohol regulatory license fund before January 1.
- Encumbrances were not properly reported on the fourth quarter financial statement.

According to staff, individuals sometimes make purchases prior to requesting purchase orders. In those instances, the fiscal court will prepare purchase orders once the invoices are received. Also, according to staff, the county chose to issue purchase orders and make payments without consideration of available line-item appropriations because it was easier to have one large amendment for line-item budget transfers at the end of the year than it was to have multiple amendments throughout the year. The other noted issues occurred due to oversight.

The aforesaid issues regarding the lack of controls over the purchase order system resulted in overspent line-item appropriations. Also, because some disbursements were not paid within 30 days, finance charges were incurred and paid on a credit card bill. Furthermore, weaknesses associated with the purchase order system, as well as the issues noted in the other bulleted points above, could result in inaccurate reporting, misappropriation of assets, cash flow problems, and claims being paid that are not valid obligations of the fiscal court.

Strong internal controls require purchase orders to be requested, approved, and issued prior to items being ordered and expenses being incurred. Additionally, strong internal controls dictate that the line-item budgets be monitored prior to the issuance of purchase orders to ensure available line-item appropriations exist.

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* which requires a purchase order system for all counties, and each county is responsible for ensuring their purchase order system is executed and working properly.

Additionally, 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 RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 The Graves County Fiscal Court Lacks 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, materials, 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 vendors invoice[.]”

KRS 68.310 states, “[e]xcept in case of an emergency concerning which the county judge/executive, the fiscal court and the state local finance officer unanimously agree in writing, and, except for encumbrances or expenditures from the county's road fund, no county shall, during the first half of any fourth fiscal year, beginning with the fiscal year 1998-1999, encumber or expend more than sixty-five percent (65%) in any fund budgeted for that fiscal year, not counting as current funds any budgetary allotments for or payments of principal and interest of bonded indebtedness.”

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 further recommend the Graves County Fiscal Court properly monitor the budget and only issue purchase orders if sufficient line-item appropriations exist. We also recommend that supporting documentation be maintained for all disbursements and that all invoices be paid within thirty days. Additionally, we recommend all claims be presented to the fiscal court prior to payment. We also recommend that encumbrances be reported accurately on the quarterly financial statements. Finally, we recommend the Graves County Fiscal Court ensure the county's travel policy is followed when reimbursing employees for travel, and we recommend that all travel vouchers are properly approved before payment.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Graves County Fiscal Court has had some transitions in personnel. There are training opportunities that are being addressed and corrected immediately to alleviate any future issues.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 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 2022-002. During fiscal year 2023, the Graves County Fiscal Court failed to approve cash transfers prior to them being made by the county treasurer. We tested twelve (12) cash transfers totaling \$1,795,000. Nine (9) transfers totaling \$1,325,000 were approved by a blanket approval order passed by the fiscal court on January 10, 2022, and then approved with the monthly financial statement at each subsequent fiscal court meeting. Three (3) cash transfers totaling \$470,000 were approved by the blanket order, however, they did not appear to be approved with the monthly financial statements at the subsequent fiscal court meeting, nor did they appear to be approved individually.

According to county personnel, it was believed that the blanket approval order was sufficient authorization for the transfer of funds. The failure to approve some transfers at subsequent fiscal court meetings was an oversight. 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 the fiscal court oversee the movement of funds in order to decrease the risk of misappropriation. Additionally, it is the responsibility of the 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 former County Treasurer to make transfers within the budget as needed with the approval of the transfers taking place at the next Fiscal Court meeting. The current County Treasurer will get Fiscal Courts Approval before making Interfund Cash Transfers.

2023-003 The Graves County Jailer Lacks Effective Management Oversight Of The Jail Commissary

This is a repeated issue that was partially included in the prior year audit report as findings 2022-005 and 2022-006. A lack of effective management oversight of the jail commissary resulted in the following issues:

- Accounting duties are not adequately segregated.
- An annual commissary report was not prepared and submitted to the county treasurer.
- Jail fees were not accounted for accurately on the inmates' reports.
- Commissary commissions were not transferred from the inmate fund to the jail canteen account.

Management oversight of the jail commissary was not effective due to a lack of an understanding of proper accounting practices and procedures.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Graves County Jailer Lacks Effective Management Oversight Of The Jail Commissary
(Continued)

Ineffective management oversight of the jail commissary increases the risk of material misstatement and could also lead to misappropriation of assets.

Effective management oversight is vital to ensuring that sound accounting practices and proper procedures are being followed. Furthermore, effective management oversight dictates that strong internal controls are in place to reduce the likelihood of material misstatement and fraud.

Segregation of duties, or the implementation of compensating controls when necessary, is essential for protecting employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and misappropriation of assets.

Additionally, strong internal controls dictate that inmate reports be reviewed to ensure that fees charged to the inmates agree with the approved schedule of jail fees. Moreover, inmate reports must be reviewed to ensure that inmates' payments of jail fees are accurately credited to their accounts.

Based on the requirements of KRS 441.135, commissary commissions should be transferred from the inmate fund to the jail canteen account, and an annual commissary report should be submitted to the county treasurer.

The KRS 441.135(1) states, “[t]he jailer may maintain a canteen for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation.”

KRS 441.135(2) states, “[a]ll profits from the canteen shall be used:

- (a) For the benefit and to enhance the well-being of the prisoners; or
- (b) To enhance safety and security within the jail.

The 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.”

KRS 441.135(3) states, “[a]ll allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes.”

We recommend the Graves County Jailer implement effective management oversight of the jail commissary. We recommend the jailer establish adequate segregation of duties. If segregation of duties is not feasible, we recommend the jailer implement effective compensating controls and strong management oversight such as supervisory review of accounting records and reports. We also recommend the jailer ensure commissary commissions are transferred each month from the inmate fund to the jail canteen account so that commissions can be used for the benefit and well-being of the prisoners or to enhance the safety and security within the jail. Lastly, we recommend that the jailer comply with KRS 441.135 by submitting a canteen report to the county treasurer annually.

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.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Graves County Jailer Lacks Effective Management Oversight Of The Jail Commissary
(Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

Jailer's Response: This correspondence has been written as a response to the findings of the financial audit performed by the Office of the Kentucky State Auditor of Public Accounts, Financial Audits, Western Branch. The time period for this audit review was 01 July 2022 through 30 June 2023. For purposes of recording, it is noted that this current Jailer's term began on 01 January 2023.

Whereas the previous audit revealed seven (7) findings that required address, the current audit revealed the single finding that, "The Graves County Jailer Lacks Effective Management Oversight of the Jail Commissary," which was also one of the seven findings of the previous audit. This finding resulted in the following issues, as listed by the auditor: accounting duties are not adequately segregated; an annual commissary report was not prepared and submitted to the county treasurer; jail fees were not accounted for accurately on the inmates' reports; and commissary commissions were not transferred from the inmate fund to the commissary account. This office acknowledges the need for growth and improvement in this area and will address ways through which corrections will be made.

To address the issue that accounting duties are not adequately separated, it has been explained that multiple employees need to be responsible for duties related to finances so that there can be implementation of compensating controls, thereby reducing the likelihood of material misstatement, misappropriation of assets, inaccurate financial reporting, and even fraud. Moving forward, one administrative assistant will be responsible for collecting fees, counting, and recording. A second administrative assistant's duties will then be recounting to confirm and recording. A third administrative team member will make deposits and collect receipts of those deposits to reflect matching intake of funds to deposits. Each step of the process will be separated amongst the team but reviewed and confirmed.

In addressing the issue that an annual commissary report was not prepared and submitted to the county treasurer, it was observed and noted that monthly commissary reports were prepared and submitted to the county treasurer. We acknowledge that this office failed to compile the monthly reports to create an annual report to submit to the county treasurer. This issue will be resolved each month by the Jailer creating a combined report from month to month thereby having created an annual report automatically at the end of the fiscal year for review. In other words, once a monthly commissary report is approved by the county fiscal court, the Jailer will (a) save that singular monthly report, but, also (b) combine the report into the previous months' data. By the end of the 12-month fiscal year, all months' data will be easily accessible for an annual commissary report to submit to the county treasurer.

Regarding the issue reflecting that jail fees were not accurately reported on the inmates' reports, the Jailer will reshare the fees list with all administrative staff and the jail nurse. At the end of each month, the administrative team will meet with the Jailer to review all inmate reports involving fees charged and collected. This will be done to confirm that all inmates are being assessed appropriate fees.

Finally, to address the matter related to commissary commissions not being transferred from the inmate fund to the commissary account, this office will confirm through monthly receipts that all monies earned via commissary commissions will be transferred to commissary account.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Graves County Jailer Lacks Effective Management Oversight Of The Jail Commissary
(Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

Jailer's Response: (Continued)

Again, this office acknowledges the need for improvement in the area of accounting practices and procedures as these matters relate to fiscal management of the jail commissary. We will make every effort to resolve the issue/comment found by our auditor to the satisfaction of your office, and we were grateful for the time your office spent explaining the error as well as some suggestions that could assist us in correcting it.

2023-004 The Graves County Fiscal Court Did Not Accurately Report Debt Liabilities

The Graves County Fiscal Court did not accurately report debt liabilities on the fourth quarter report. The county reported no outstanding debt on the liabilities section of the June 30, 2023 quarterly financial statement. However, the confirmed principal balance of the Graves County Fiscal Court's debt was \$147,264. Additionally, the county did not notify the state local finance officer when entering into a financing obligation for a mini excavator.

The county did not report the \$49,345 outstanding principal balance of a body scanner for the jail because the former jailer entered into the financing agreement without fiscal court approval. The county did not report the \$97,919 outstanding balance on a mini excavator because the county believed it had entered into an operating lease. Furthermore, because the county viewed the financing obligation as an operating lease in which the lease price was less than \$200,000, the state local finance officer was not notified. However, after reviewing the contract, the county concluded it was a financing agreement for the purchase of the equipment.

Because debt liabilities were not accurately reported, the liabilities section of the June 30, 2023, quarterly financial statement was understated by \$147,264, and the fiscal court is not compliant with KRS 68.210. Also, since the state local finance officer was not notified of the financing obligation for the mini excavator, the fiscal court is not in compliance with KRS 65.117.

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* requires accurate financial records to be maintained, which includes the schedule of liabilities. Additionally, good internal controls require accurate information to be presented in order for the fiscal court to make informed financial decisions, such as budget preparation or making large purchases.

Furthermore, KRS 65.117(1) states, in part, "[n]o city, county, urban-county, consolidated local government, charter county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature...without first notifying the state local debt officer in writing."

We recommend the Graves County Fiscal Court review debt schedules and the debt liabilities section of the quarterly financial statements to ensure all outstanding principal and interest is reported accurately. Lastly, we recommend that the fiscal court notify the state local finance officer when entering into a financing obligation.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004 The Graves County Fiscal Court Did Not Accurately Report Debt Liabilities (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: As an oversight of the Graves County Fiscal Court, there was a liability that was assumed as a lease, but instead it was a purchase. It will be included as debt liability FY 23-24.

2023-005 The Graves County Fiscal Court Lacks Adequate Controls Over The Schedule Of Expenditures Of Federal Awards

The Graves County Fiscal Court lacks adequate controls over the Schedule of Expenditures of Federal Awards (SEFA). Reported amounts for some of the federal programs were misstated. Also, the names of the awarding agencies were incorrect, as were some of the program names. According to staff, the errors noted are due to a lack of experience in compiling information for the SEFA.

Due to the lack of adequate controls, the SEFA was misstated by \$104,044. Additionally, there is an increased risk of noncompliance with federal award requirements.

Strong internal controls require all financial statements to 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. To ensure all information is correct, we recommend that the reviewer compare the Schedule of Expenditures of Federal Awards with relevant documents such as grant agreements and the disbursements ledger.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Graves County Fiscal Court will require all financial statements be reviewed by someone independent of the reporting process to ensure accuracy.

THIS PAGE LEFT BLANK INTENTIONALLY

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

GRAVES COUNTY FISCAL COURT

For The Year Ended June 30, 2023

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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