

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

**For The Year Ended
June 30, 2021**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Graves County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprise the Graves County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
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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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Graves County Fiscal Court as of June 30, 2021, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Graves County Fiscal Court as of June 30, 2021, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government as described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2022, on our consideration of the Graves County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Graves County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer
- 2021-002 The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed
- 2021-003 The Graves County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Operations
- 2021-004 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds
- 2021-005 The Graves Fiscal Court Does Not Have Adequate Controls Over The Budgeting And Reporting Process
- 2021-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates
- 2021-007 The Graves County Fiscal Court Submitted Unsubstantiated Jail Payroll Costs For Reimbursement From The Coronavirus Relief Fund And Lacks Internal Control Over Jail Payroll

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

June 13, 2022

GRAVES COUNTY OFFICIALS**For The Year Ended June 30, 2021****Fiscal Court Members:**

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

Other Elected Officials:

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

Appointed Personnel:

Codie Courtney	County Treasurer
Debbie Buck	Finance Officer

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 4,643,967	\$	\$
In Lieu Tax Payments	108,431		
Excess Fees	484,690		
Licenses and Permits	121,554		
Intergovernmental	1,311,944	2,740,723	897,573
Charges for Services			2,274
Miscellaneous	164,008	175,498	67,192
Interest	2,743	1,274	54
Total Receipts	<u>6,837,337</u>	<u>2,917,495</u>	<u>967,093</u>
DISBURSEMENTS			
General Government	3,876,972		
Protection to Persons and Property	382,454		2,211,534
General Health and Sanitation	105,715		
Social Services	38,652		
Recreation and Culture	66,474		
Roads		2,479,456	
Airports	754		
Debt Service	19,189	39,431	42,000
Capital Projects	89,279		
Administration	498,906	288,592	489,750
Total Disbursements	<u>5,078,395</u>	<u>2,807,479</u>	<u>2,743,284</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,758,942</u>	<u>110,016</u>	<u>(1,776,191)</u>
Other Adjustments to Cash (Uses)			
Changes in Payroll Revolving Account	(24,359)		
Transfers From Other Funds	1,898,509	323,800	1,773,000
Transfers To Other Funds	(2,129,500)	(200,000)	
Total Other Adjustments to Cash (Uses)	<u>(255,350)</u>	<u>123,800</u>	<u>1,773,000</u>
Net Change in Fund Balance	1,503,592	233,816	(3,191)
Fund Balance - Beginning (Restated)	173,712	17,618	3,552
Fund Balance - Ending	<u>\$ 1,677,304</u>	<u>\$ 251,434</u>	<u>\$ 361</u>
Composition of Fund Balance			
Bank Balance	\$ 1,744,723	\$ 293,613	\$ 70,179
Plus: Deposits In Transit			4,929
Less: Outstanding Checks	(119,894)	(42,179)	(74,747)
Payroll Revolving Account	52,475		
Fund Balance - Ending	<u>\$ 1,677,304</u>	<u>\$ 251,434</u>	<u>\$ 361</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, 2021
(Continued)

<u>Budgeted Funds</u>				<u>Unbudgeted Fund</u>	
Local Government Economic Assistance Fund	DES Fund	Federal Grant (ARPA) Fund	Federal Grant (Cares) Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$	\$	\$ 4,643,967
					108,431
					484,690
					121,554
25,603		3,674,358	1,698,509		10,348,710
					2,274
	45			320,406	727,149
27	19,549			67	23,714
<u>25,630</u>	<u>19,594</u>	<u>3,674,358</u>	<u>1,698,509</u>	<u>320,473</u>	<u>16,460,489</u>
		12,218			3,889,190
	61,135				2,655,123
					105,715
					38,652
				235,995	302,469
					2,479,456
					754
					100,620
					89,279
	16,956				1,294,204
	<u>78,091</u>	<u>12,218</u>		<u>235,995</u>	<u>10,955,462</u>
<u>25,630</u>	<u>(58,497)</u>	<u>3,662,140</u>	<u>1,698,509</u>	<u>84,478</u>	<u>5,505,027</u>
					(24,359)
	58,500				4,053,809
(25,800)			(1,698,509)		(4,053,809)
<u>(25,800)</u>	<u>58,500</u>		<u>(1,698,509)</u>		<u>(24,359)</u>
(170)	3	3,662,140		84,478	5,480,668
239	84	48,287		94,540	338,032
<u>\$ 69</u>	<u>\$ 87</u>	<u>\$ 3,710,427</u>	<u>\$ 0</u>	<u>\$ 179,018</u>	<u>\$ 5,818,700</u>
\$ 69	\$ 2,168	\$ 3,710,427	\$	\$ 198,473	\$ 6,019,652
	(2,081)			(19,455)	(258,356)
					52,475
<u>\$ 69</u>	<u>\$ 87</u>	<u>\$ 3,710,427</u>	<u>\$ 0</u>	<u>\$ 179,018</u>	<u>\$ 5,818,700</u>

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

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**GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

Federal Grant Fund (ARPA) - The primary purpose of this fund is to account for the grant expenditures of the county. The primary sources of receipts for this fund are the ARPA federal grants.

Federal Grant Fund (Cares) - The primary purpose of this fund is to account for the grant expenditures of the county. The primary sources of receipts for this fund are the Cares federal grants.

Unbudgeted Fund

The fiscal court reports the following unbudgeted fund:

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

D. Budgetary Information

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

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

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

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Graves County Elected Officials

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

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

F. Deposits and Investments

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

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

G. Long-term Obligations

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

H. Related Obligations, Joint Ventures and Jointly Governed Organizations

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Mayfield-Graves County Parks & 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 and Graves County Industrial Development
 Graves County Economic Development Authority

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2021, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2021.

	General Fund	Road Fund	LGEA	Federal Grant (Cares) Fund	Total Transfers In
General Fund	\$	\$ 200,000	\$	\$ 1,698,509	\$ 1,898,509
Road Fund	298,000		25,800		323,800
Jail Fund	1,773,000				1,773,000
DES Fund	58,500				58,500
Total Transfers Out	\$2,129,500	\$ 200,000	\$ 25,800	\$ 1,698,509	\$ 4,053,809

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, 2021 was \$3,023.

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Caterpillar - 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 \$70,602 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, 2021, the lease principal was \$100,963. Future principal and interest requirements are as follows:

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

1. Caterpillar – Excavator (Continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 30,901	\$ 2,336
2023	<u>70,062</u>	<u>239</u>
Totals	<u>\$ 100,963</u>	<u>\$ 2,575</u>

2. Park Land

On January 1, 2018, the Graves County Fiscal Court entered into a financing agreement with Community Financial Bank for the purpose of purchasing 17.92 acres for the creation of Kess Creek Park with an Interlocal Agreement with the City of Mayfield supporting 50% of the \$179,200 cost. The principal of the lease is \$90,050 with repayment to be made over 5 years with an interest rate at 2.12%. Upon default, including failure to pay upon final maturity, the total sum due under this note will continue to accrue interest at the same interest rate under this note. As of June 30, 2021, the note principal was \$37,174. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 18,389	\$ 799
2023	<u>18,785</u>	<u>404</u>
Totals	<u>\$ 37,174</u>	<u>\$ 1,203</u>

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, 2021, the lease principal was \$101,500. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 42,000	\$
2023	42,000	
2024	<u>17,500</u>	
Totals	<u>\$ 101,500</u>	<u>\$ 0</u>

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 332,752	\$	\$ 93,115	\$ 239,637	\$ 91,290
Total Long-term Debt	<u>\$ 332,752</u>	<u>\$ 0</u>	<u>\$ 93,115</u>	<u>\$ 239,637</u>	<u>\$ 91,290</u>

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2021, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 91,290	\$ 3,135
2023	130,847	643
2024	<u>17,500</u>	
Totals	<u>\$ 239,637</u>	<u>\$ 3,778</u>

Note 6. Employee Retirement System

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

The county's contribution for FY 2019 was \$876,621, FY 2020 was \$996,734, and FY 2021 was \$995,310.

Nonhazardous

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

Nonhazardous (Continued)

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

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

The county's contribution rate for nonhazardous employees was 24.06 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 7. Deferred Compensation

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

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

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

Note 8. Health Reimbursement Account/Flexible Spending Account

The Graves County Fiscal Court established a flexible spending account on July 1, 2012, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee, providing up to \$500 for 2021 to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance of the plan is \$12,501.

Note 9. Insurance

For the fiscal year ended June 30, 2021, the Graves County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Contingencies

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

Note 11. Subsequent Event

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

Note 12. Related Party Transactions

During the fiscal year, the Graves County Fiscal Court Purchased \$432 of material from a local business, which is co-owned by a county commissioner.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 13. Payroll Revolving Account

The change in the balance of the payroll revolving account of (\$24,359) as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

Note 14. 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. As of June 30, 2021, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 15. Tax Abatements

A. ACE Compressor Parts & Service, Inc

Occupational taxes were abated under the authority of Graves County Fiscal Court. A.C.E Compressor Parts & Service, Inc. 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. For the fiscal year ended June 30, 2021, Graves County Fiscal Court abated occupational taxes totaling \$0.

B. Pilgrim's Pride

Occupational taxes were abated under the authority of 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 to local participation ratio in this grant of incentives shall be 75% to 25%. For the fiscal year ended June 30, 2021, Graves County Fiscal Court abated occupational taxes totaling \$0.

C. Graves County Development Area Brian Drive -1

Occupational Taxes were abated under the authority of Graves County Fiscal Court. The Graves County Development Area Brian Drive -1 is eligible to receive this tax abatement due to the purposes of the economic development area to bring incentives to the citizens of the county, pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego occupational taxes that are otherwise due to the county, from businesses in this development area. The Graves County Development Area Brian Drive -1 agreed to the following provision: The county will impose a 1% assessment fee on certain newly created jobs as a result of a project within the development area. For fiscal year ended June 30, 2021, the Graves County Fiscal Court abated occupational license taxes totaling \$9,757.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(Continued)

Note 15. Tax Abatements (Continued)

D. WKT Development Area

Real ad valorem and occupational taxes were abated under the authority of Graves County Fiscal Court. The WKT Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the County pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego real ad valorem and occupational taxes that are otherwise due to the county, from businesses in this development area. The WKT Development Area agreed to the following provision: The County has established a job assessment fee of one hundred percent (100%) of the gross wages of newly created employees as a result of the Project within the development area for a thirty (30) year period. For fiscal year ended June 30, 2021, the Graves County Fiscal Court abated real ad valorem and occupational license taxes totaling \$32,121. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge a portion of the incremental revenues of the county from the development area to the payment of redevelopment assistance, project costs and/or approved public infrastructure costs and financing costs.

E. Gideon's Crossing Development Area

Real ad valorem taxes were abated under the authority of Graves County Fiscal Court. The Gideon's Crossing Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the County pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 100% of real ad valorem taxes that are otherwise due to the county, from businesses in this development area for a period of 30 years. For fiscal year ended June 30, 2021, the Graves County Fiscal Court abated real ad valorem taxes totaling \$1,503. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental revenues created within the local development to pay for project costs and provide redevelopment assistance for the project.

F. Mayfield Shopping Plaza Development Area

Real ad valorem taxes were abated under the authority of Graves County Fiscal Court. The Mayfield Shopping Plaza Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the County pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 75% of real ad valorem 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, 2021, the Graves County Fiscal Court abated real ad valorem taxes totaling \$0. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental county revenues created within the development area to pay for project costs and provide redevelopment assistance for the project.

Note 16. Prior Period Adjustments

The fiscal court voted to open the federal grant (ARPA) fund for grant expenditures, the following funds were moved to the federal grant (ARPA) fund from the general fund resulting in a change of the beginning balance from the prior year audited balance.

	Prior Year Ending Fund Balances	New Fund Opened	Beginning Fund Balances (Restated)
General Fund	\$ 221,999	\$ (48,287)	\$ 173,712
Federal Grant (ARPA) Fund		48,287	48,287
	<u>\$ 221,999</u>	<u>\$ (0)</u>	<u>\$ 221,999</u>

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

For The Year Ended June 30, 2021

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GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 4,347,000	\$ 4,604,909	\$ 4,643,967	\$ 39,058
In Lieu Tax Payments	123,000	123,000	108,431	(14,569)
Excess Fees	372,200	484,690	484,690	
Licenses and Permits	107,300	134,344	121,554	(12,790)
Intergovernmental	1,214,300	1,357,270	1,311,944	(45,326)
Miscellaneous	260,000	386,690	164,008	(222,682)
Interest	5,000	5,000	2,743	(2,257)
Total Receipts	<u>6,428,800</u>	<u>7,095,903</u>	<u>6,837,337</u>	<u>(258,566)</u>
DISBURSEMENTS				
General Government	3,793,012	5,282,993	3,876,972	1,406,021
Protection to Persons and Property	386,886	427,073	382,454	44,619
General Health and Sanitation	105,000	105,717	105,715	2
Social Services	37,500	38,653	38,652	1
Recreation and Culture	52,000	67,166	66,474	692
Airports	5,000	5,000	754	4,246
Debt Service	19,200	19,200	19,189	11
Capital Projects	25,000	82,879	89,279	(6,400)
Administration	472,229	2,050,238	498,906	1,551,332
Total Disbursements	<u>4,895,827</u>	<u>8,078,919</u>	<u>5,078,395</u>	<u>3,000,524</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,532,973</u>	<u>(983,016)</u>	<u>1,758,942</u>	<u>2,741,958</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			1,898,509	1,898,509
Transfers To Other Funds	(1,532,973)	(1,532,973)	(2,129,500)	(596,527)
Total Other Adjustments to Cash (Uses)	<u>(1,532,973)</u>	<u>(1,532,973)</u>	<u>(230,991)</u>	<u>1,301,982</u>
Net Change in Fund Balance		(2,515,989)	1,527,951	4,043,940
Fund Balance - Beginning (Restated)		<u>96,878</u>	<u>96,878</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,419,111)</u>	<u>\$ 1,624,829</u>	<u>\$ 4,043,940</u>

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,331,360	\$ 2,752,878	\$ 2,740,723	\$ (12,155)
Miscellaneous	1,000	170,409	175,498	5,089
Interest	4,000	4,000	1,274	(2,726)
Total Receipts	<u>2,336,360</u>	<u>2,927,287</u>	<u>2,917,495</u>	<u>(9,792)</u>
DISBURSEMENTS				
Roads	1,857,863	2,557,010	2,479,456	77,554
Debt Service	36,259	39,434	39,431	3
Administration	462,238	368,460	288,592	79,868
Total Disbursements	<u>2,356,360</u>	<u>2,964,904</u>	<u>2,807,479</u>	<u>157,425</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(37,617)</u>	<u>110,016</u>	<u>147,633</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	20,000	20,000	323,800	303,800
Transfers To Other Funds			<u>(200,000)</u>	<u>(200,000)</u>
Total Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>20,000</u>	<u>123,800</u>	<u>103,800</u>
Net Change in Fund Balance		(17,617)	233,816	251,433
Fund Balance - Beginning		<u>17,617</u>	<u>17,618</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 251,434</u>	<u>\$ 251,434</u>

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

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 943,304	\$ 958,126	\$ 897,573	\$ (60,553)
Charges for Services	5,000	5,000	2,274	(2,726)
Miscellaneous	17,000	24,953	67,192	42,239
Interest	700	700	54	(646)
Total Receipts	<u>966,004</u>	<u>988,779</u>	<u>967,093</u>	<u>(21,686)</u>
DISBURSEMENTS				
Protection to Persons and Property	1,990,989	2,576,132	2,211,534	364,598
Debt Service			42,000	(42,000)
Administration	442,800	501,120	489,750	11,370
Total Disbursements	<u>2,433,789</u>	<u>3,077,252</u>	<u>2,743,284</u>	<u>333,968</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,467,785)</u>	<u>(2,088,473)</u>	<u>(1,776,191)</u>	<u>312,282</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>1,467,785</u>	<u>1,467,785</u>	<u>1,773,000</u>	<u>305,215</u>
Total Other Adjustments to Cash (Uses)	<u>1,467,785</u>	<u>1,467,785</u>	<u>1,773,000</u>	<u>305,215</u>
Net Change in Fund Balance		(620,688)	(3,191)	617,497
Fund Balance - Beginning		<u>3,551</u>	<u>3,552</u>	<u>1</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (617,137)</u>	<u>\$ 361</u>	<u>\$ 617,498</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 20,000	\$ 25,602	\$ 25,603	\$ 1
Interest	200	200	27	(173)
Total Receipts	<u>20,200</u>	<u>25,802</u>	<u>25,630</u>	<u>(172)</u>
DISBURSEMENTS				
Roads	200	200		200
Administration		5,602		5,602
Total Disbursements	<u>200</u>	<u>5,802</u>		<u>5,802</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>20,000</u>	<u>20,000</u>	<u>25,630</u>	<u>5,630</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>(25,800)</u>	<u>(5,800)</u>
Total Other Adjustments to Cash (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(25,800)</u>	<u>(5,800)</u>
Net Change in Fund Balance			(170)	(170)
Fund Balance - Beginning			<u>239</u>	<u>239</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69</u>	<u>\$ 69</u>

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

	DES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 45	\$ 45
Interest	27,000	27,000	19,549	(7,451)
Total Receipts	<u>27,000</u>	<u>27,000</u>	<u>19,594</u>	<u>(7,406)</u>
DISBURSEMENTS				
Protection to Persons and Property	73,504	73,504	61,135	12,369
Administration	18,684	18,684	16,956	1,728
Total Disbursements	<u>92,188</u>	<u>92,188</u>	<u>78,091</u>	<u>14,097</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(65,188)</u>	<u>(65,188)</u>	<u>(58,497)</u>	<u>6,691</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	65,188	65,188	58,500	(6,688)
Total Other Adjustments to Cash (Uses)	<u>65,188</u>	<u>65,188</u>	<u>58,500</u>	<u>(6,688)</u>
Net Change in Fund Balance			3	3
Fund Balance - Beginning			<u>84</u>	<u>84</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 87</u>	<u>\$ 87</u>

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

	FEDERAL GRANT (ARPA) FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 3,674,358	\$ 3,674,358	\$
Total Receipts		3,674,358	3,674,358	
DISBURSEMENTS				
General Government		15,000	12,218	2,782
Administration		3,619,242		3,619,242
Total Disbursements		3,634,242	12,218	3,622,024
Net Change in Fund Balance		40,116	3,662,140	3,622,024
Fund Balance - Beginning (Restated)		48,287	48,287	
Fund Balance - Ending	\$	0	\$ 3,710,427	\$ 3,622,024

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

	FEDERAL GRANT (CARES) FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 1,268,766	\$ 1,698,509	\$ 429,743
Total Receipts		1,268,766	1,698,509	429,743
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		1,268,766	1,698,509	429,743
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(1,698,509)	(1,698,509)
Total Other Adjustments to Cash (Uses)			(1,698,509)	(1,698,509)
Net Change in Fund Balance		1,268,766		(1,268,766)
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	\$
		0	0	(1,268,766)

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

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Adjustments to Cash (Uses) -Budgetary Basis	\$ (230,991)
Changes in Payroll Account	<u>(24,359)</u>
Total Other Adjustment to Cash (Uses) -Regulatory Basis	<u>\$ (255,350)</u>
Ending Fund Balance-Budgetary Basis	\$ 1,624,829
Payroll Account Balance	<u>52,475</u>
Total Ending Fund Balance -Regulatory Basis	<u>\$ 1,677,304</u>

Note 3. Excess of Disbursements Over Appropriations

General fund, capital projects line item, exceeded budgeted appropriations by \$6,400 and jail fund, debt service line item, exceeded budgeted appropriations by \$42,000.

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
<i>Direct Program</i>				
Drug - Free Communities Support Program Grants	93.276	N/A	\$	\$ 36,335
Total U.S. Department of Health and Human Services				<u>36,335</u>
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Diaster)	97.036	FEMA-DR-4549-KY	\$	\$ 151,619
Disaster Grants - Public Assistance (Presidentially Declared Diaster)	97.036	FEMA-DR-4361-KY		<u>255,560</u>
Total U.S. Department of Homeland Security				<u>407,179</u>
<u>U. S. Department of the Treasury</u>				
<i>Passed-Through Kentucky Department For Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	C-070, C2-280	\$ 12,654	\$ 1,281,990
Total U.S. Department of the Treasury			<u>12,654</u>	<u>1,281,990</u>
Total Expenditures of Federal Awards			<u>\$ 12,654</u>	<u>\$ 1,725,504</u>

The accompanying notes are an integral part of this schedule.

GRAVES COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Graves County, Kentucky under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Graves County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Graves County, Kentucky.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

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

For The Year Ended June 30, 2021

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GRAVES COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Land Improvements	\$ 555,253	\$	\$	\$ 555,253
Buildings	12,960,812	50,000		13,010,812
Vehicles	2,491,216	110,950	87,288	2,514,878
Machinery & Equipment	2,352,054	267,420	64,121	2,555,353
Infrastructure	139,486,468	717,493		140,203,961
 Total Capital Assets	 <u>\$ 157,845,803</u>	 <u>\$ 1,145,863</u>	 <u>\$ 151,409</u>	 <u>\$ 158,840,257</u>

The fiscal court reports the following Assets Held For Resale:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets Held For Resale				
Mack Trucks	\$ 759,056	\$	\$ 759,056	\$
 Total Capital Assets	 <u>\$ 759,056</u>	 <u>\$ 0</u>	 <u>\$ 759,056</u>	 <u>\$ 0</u>

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

June 30, 2021

Note 1. Capital Assets

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

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

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Graves County Fiscal Court for the fiscal year ended June 30, 2021, 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 June 13, 2022.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, and 2021-007 to be material weaknesses.



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

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-006 to be a significant deficiency.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Graves County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-002, 2021-004, 2021-005, and 2021-007.

Views of Responsible Officials and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

June 13, 2022

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Graves County Fiscal Court's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Graves County Fiscal Court's major federal programs for the year ended June 30, 2021. The Graves County Fiscal Court's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Opinion on Each Major Federal Program

In our opinion, the Graves County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2021-007. Our opinion on each major federal program is not modified with respect to these matters.

Graves County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Graves County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-007 that we consider to be a material weakness.

Graves County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Graves County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Report on Internal Control over Compliance (Continued)

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

June 13, 2022

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statements

Type of report auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

<u>Assistance Listing Number</u> 21.019	<u>Name of Federal Program or Cluster</u> COVID-19 - Coronavirus Relief Fund
--	---

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

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings

2021-001 The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer

This is a repeat finding and was included in the prior year audit report as finding 2020-001. During fiscal year 2021, the Graves County Fiscal Court failed to approve cash transfers prior to them being made by the county treasurer. We tested 10 cash transfers totaling \$779,700. Nine cash transfers totaling \$579,700 were transferred without prior approval but were subsequently approved by fiscal court. One transfer of \$200,000 was transferred without ever receiving approval by fiscal court.

According to the county treasurer, she was not aware that transfers are to be approved prior to making the transfers. In addition, the one transfer not approved was due to a coding error on the claims list. Because cash transfers occurred before being approved by fiscal court, the county's funds were at an increased risk of being misappropriated.

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

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

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: On January 10, 2022 the Fiscal Court voted to authorize the County Treasurer to make transfers within in budget as needed with the approval of the transfers taking place at the next Fiscal Court Meeting.

2021-002 The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The Graves County Fiscal Court's purchase order system did not function as designed, purchase orders were either not issued for all purchases or in other instances were issued after the purchase had been made and the invoice was received.

We tested 51 transactions totaling \$1,442,700. Fifteen of these transactions totaling \$774,499 did not have a purchase order prepared for the purchase. Four of these transactions totaling \$360,855 had a purchase order prepared after the invoice was received from the vendor.

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

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings (Continued)

2021-002 The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed
(Continued)

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

In addition, according to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, “[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county’s budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 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.

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

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

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

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

Views of Responsible Official and Planned Corrective Action:

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

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings (Continued)

2021-003 The Graves County Jail Does Not Have Adequate Segregation Of Duties Over Jail Commissary Operations

This is a repeat finding and was included in the prior year audit report as finding 2020-003. The Graves County Jail does not have adequate segregation of duties. Both bookkeepers collected receipts from kiosks and customers and prepared deposits. One bookkeeper reconciled the bank accounts each month, but there was no documentation of anyone reviewing the reconciliations.

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

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

Views of the Jailer and Planned Corrective Action:

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

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

2021-004 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds

This is a repeat finding and was included in the prior year audit report as finding 2020-004. The Graves County Jailer did not maintain minimum accounting records as prescribed by the state local finance officer (SLFO). The following exceptions were noted:

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

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

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings (Continued)

2021-004 The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds (Continued)

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

KRS 441.135(2) states, in part, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to county treasurer on the canteen account.” In addition, good internal controls dictate that policies and procedures be in place to ensure commissary funds are properly accounted for.

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

Views of the Jailer and Planned Corrective Action:

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

Jailer’s Response: Receipts are written and computer generated from the accounting program that was used and scanned into jail management system, [name redacted]. Triplicate receipt books will be ordered and used in the future with any receipts collected. Daily checkout sheets have been prepared and will be used. Any monies collected will be deposited on the day they are received. (The mail is delivered at the RCC late in the afternoon and is taken to fiscal court or deposited the following day). Every effort will be made to generate a receipts and disbursement ledger and submit an annual financial report to the county treasurer.

2021-005 The Graves Fiscal Court Does Not Have Adequate Controls Over The Budgeting And Reporting Process

The Graves County Fiscal Court does not have adequate controls over the budgeting and reporting process. There were various issues that were noted during testing for fiscal year 2021, they are as follows:

- Budgeted amounts recorded on the 2021 fourth quarter financial report did not agree to the original budget and budget amendments approved by the fiscal court.
- The fiscal court approved a budget amendment as an emergency amendment though an emergency was not declared, resulting in an ineligible budget amendment.
- The capital projects category of the general fund was overspent by \$6,400.
- One budget amendment for CARES grant funds was approved for inclusion in the federal grant (CARES) fund, but the CARES grant funds were actually transferred to the general fund where the CARES grant receipts and disbursements were recorded using federal fund codes.
- Total budget transfers were not properly balanced or recorded in the general, jail, and federal grant (ARPA) funds.
- A budget amendment of \$55,116 for state grant receipts was approved for the general fund but was inaccurately posted to the federal grant (ARPA) fund where the receipts were deposited.

GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)

Section II: Financial Statement Findings (Continued)

2021-005 The Graves Fiscal Court Does Not Have Adequate Controls Over The Budgeting And Reporting Process (Continued)

- A budget amendment of \$48,287 for general fund prior year carryover was inaccurately posted in the federal grant (ARPA) fund on the fourth quarter financial statement.
- Budget amendments of \$1,268,766 for the federal grant (CARES) fund and \$5,602 for the LGEA fund were omitted from the fourth quarter financial report.

According to the treasurer most of these issues were due to errors made when processing the report. The capital projects line item was overspent due to the pass through of ASAP funds not being budgeted correctly. One budget amendment was approved as an emergency because the money was received late in the year, and fiscal court wanted to use it quickly for small business grants. Due to these errors, fund budgets on the fourth quarter financial report were materially misstated, which increases the risk of misappropriation of funds.

Strong internal controls require all financial reports to be reviewed and compared to original documents to ensure all information and totals are accurate. 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* provides the format to be used when preparing the quarterly financial statement. This format includes reporting original budget estimates, budget amendments, budget transfers, and actual receipts and disbursements, and totals available in each line item.

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Internal office procedures will be required that someone other than the preparer review all financial reports to ensure accuracy.

2021-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates

This is a repeat finding and was included in the prior year audit report as finding 2020-006. The Graves County Jail does not have written policies and procedures to collect amounts due from former inmates. The jailer couldn't provide auditor with an actual amount due from these former inmates.

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

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

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

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings (Continued)

2021-006 The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates (Continued)

Views of the Jailer and Planned Corrective Action:

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

Jailer's Response: Because of the Jones vs. Clark ruling, the jail stopped collecting fees October of 2021. As per wording from the KY State Supreme Court: "532.358 makes it clear that the sentencing court is the only entity able to order the reimbursement and billing of incarceration fees, not the county jail." Per our jail inspector, we have been advised to wait until the new ruling and language has been okayed before pursuing inmate fees. Pay my jailer has been in contact and is ready to start back up.

2021-007 The Graves County Fiscal Court Submitted Unsubstantiated Jail Payroll Costs For Reimbursement From The Coronavirus Relief Fund And Lacks Internal Control Over Jail Payroll

The Graves County Fiscal Court submitted unsubstantiated jail payroll expenses for reimbursement from the Coronavirus Relief Fund (the Fund) administered by the Commonwealth of Kentucky's Department for Local Government (DLG) during fiscal year 2021. Two of the three reimbursement requests the fiscal court sent to DLG, that included jail payroll costs, were tested. Testing of these two reimbursement requests yielded that five jail employees did not keep timesheets. There were also two instances where jail employees' timesheets did not match their payroll summaries, there were 44 instances where jail employees did not sign their timesheet to indicate the time reported was time they worked, and there were 55 instances where jail employees tested did not have adequate supervisor approval. Three instances were also found where sheriff's office employees didn't document their approval of their timesheets.

Questioned costs of \$55,302 were computed based on the two months of unsubstantiated salary charges for five employees that did not keep timesheets, and the two employees whose timesheets did not match the December 2020 payroll summary

These issues are due to a weakness in the jailer's payroll procedures. The jailer has given authority for a signature stamp to be used by his office staff to approve timesheets when he is not there. The signature stamp does not have controls in place to document who is using it, so supervisor approval cannot be determined. Furthermore, the jailer did not require salaried employees to keep timesheets. The two employees' timesheets that did not match were due to an error made when processing December payroll which was quickly fixed in January; however, it was reimbursed improperly as the hours were not worked during the time period agreed by the grant.

Due to the jail having weak payroll procedures, questioned costs were generated and the risk of improperly paying employees is elevated. Strong internal controls require documented approval of timesheets by both the direct supervisor and the employee. This will protect both parties by ensuring that an employee's hours worked are accurate and agreed upon by both the employee and the office.

2 CFR 200.303 states: "The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section II: Financial Statement Findings (Continued)

2021-007 The Graves County Fiscal Court Submitted Unsubstantiated Jail Payroll Costs For Reimbursement From The Coronavirus Relief Fund And Lacks Internal Control Over Jail Payroll (Continued)

Additionally, KRS 337.320(1) states, in part, “[e]very employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee[.]”

We recommend the Graves County Fiscal Court implement internal controls over federal award reimbursements and the jail’s payroll. Reimbursement request should be properly supported prior to submission. The fiscal court should require the jail strengthen their internal controls over timekeeping records which includes employees’ signature on timesheets as well as documented approval of all timesheets. Any deviations should be investigated and cleared prior to processing payroll .

Views of Responsible Official and Planned Corrective Action:

County Judge Executive Response: Graves County was able to work with the Department for Local Government for payroll that was supported according to the 2020 Coronavirus Relief Fund 21.019, 2020 C-070 and C2-280 guidelines. The issue of signed timesheets for all employees has also been reconciled as of May 2022.

Jailer’s Response: We were unaware that salaried employees needed to maintain a timesheet for fiscal court, that has since been taken care of.

Section III: Federal Award Findings And Questioned Costs

2021-007 The Graves County Fiscal Court Submitted Unsubstantiated Jail Payroll Costs For Reimbursement From The Coronavirus Relief Fund And Lacks Internal Control Over Jail Payroll

Federal Program: 2020 Coronavirus Relief Fund 21.019

Award Number and Year: 2020 C-070 and C2-280

Name of Federal Agency and Pass-Thru Agency: U.S. Department of Treasury Passed-Through Kentucky Department for Local Government

Compliance Requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Type of Finding: Material Weakness

Amount of Questioned Costs: \$55,302

Opinion Modification (if applicable): Not Applicable

COVID Related: Yes

See financial statement finding 2021-007.

**GRAVES COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2021
(Continued)**

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The Graves County Fiscal Court Failed To Approve Cash Transfers Prior To Them Being Made By County Treasurer	Resolved	On January 10, 2022, the fiscal court authorized the treasurer to make transfers within the budget as needed with approval of the transfer taking place at the next fiscal court meeting.
2020-002	The Graves County Fiscal Court's Purchase Order System Did Not Function As Designed	Partially Resolved	We have informed each official the requirements of the Admin Code on the system of purchase orders. On July 1, 2022, software is being implemented to help with the process in maintaining the purchase order system.
2020-003	The Graves County Jail Lacks Adequate Segregation Of Duties Over Jail Commissary Operations	Partially Resolved	Inmates order canteen on kiosks, deputies pass out upon arrival, and office take care of deposits and funds.
2020-004	The Graves County Jailer Failed To Maintain Minimum Accounting Records On Commissary Funds	Partially Resolved	Jail has implemented a new canteen company with new software that will hopefully address accounting issues.
2020-005	The Graves County Jail Does Not Have Policies And Procedures For Collecting Accounts Receivable From Inmates	Partially Resolved	Fees will be collected when findings and language are complete and final form KY Supreme Court
2020-006	The Graves County Fiscal Court Exceeded Budget Appropriations For Fiscal Year 2020	Partially Resolved	We have monitored the budget and quarterly reports more closely, to ensure.
2020-007	The Graves County Jailer Did Not Properly Bid or Report Debt Obligations For Body Scanner	Partially Resolved	Jailer was unaware that body scanner was debt and should have been bid. This will not happen again.

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

GRAVES COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2021

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