REPORT OF THE AUDIT OF THE GRAVES COUNTY FISCAL COURT

For The Year Ended
June 30, 2025

ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Graves County Fiscal Court, for the year ended June 30, 2025, and the related notes to the financial statement, which collectively comprise the Graves County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Graves County Fiscal Court, for the year ended June 30, 2025, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Graves County Fiscal Court, for the year ended June 30, 2025, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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

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To the People of Kentucky
The Honorable Andy Beshear, Governor
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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 and pervasive.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Graves County Fiscal Court's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Graves County Fiscal Court's internal control. Accordingly, no such opinion is expressed.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Graves County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Graves County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

To the People of Kentucky
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Members of the Graves County Fiscal Court

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2026, 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 Responses included herein, which discusses the following report findings:

2025-001	The Graves County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements
2025-002	The Graves County Fiscal Court Did Not Properly Account For And Report Debt Service Obligations
2025-003	The Graves County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases
2025-004	The Graves County Fiscal Court Did Not Properly Classify Grant Funds

Respectfully submitted,

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 8, 2026

GRAVES COUNTY OFFICIALS

For The Year Ended June 30, 2025

Fiscal Court Members:

Jesse Perry	County Judge/Executive
Tyler Goodman	Commissioner
Todd Hayden	Commissioner
Dannie W. Winfrey	Commissioner

Other Elected Officials:

John Cunningham	County Attorney
Kelli Elliott	Jailer
Kimberly Gills	County Clerk
Emily Buzanis	Circuit Court Clerk
Jon Hayden	Sheriff
Lee Martin	Property Valuation Administrator
Brad Jones	Coroner

Appointed Personnel:

Kim Lawhorn	County Treasurer
Lori Hendley	Finance Officer

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

For The Year Ended June 30, 2025

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

For The Year Ended June 30, 2025

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	$ 6,470,683	$	$
In Lieu Tax Payments	109,017		
Excess Fees	485,957		
Licenses and Permits	151,592		
Intergovernmental	7,490,838	3,272,853	897,360
Charges for Services	32,500		15,035
Miscellaneous	333,867	69,899	28,524
Interest	105,920	81,054	10,152
Total Receipts	15,180,374	3,423,806	951,071
DISBURSEMENTS			
General Government	4,933,960		
Protection to Persons and Property	644,070		2,908,557
General Health and Sanitation	132,625		
Social Services	177,778		
Recreation and Culture	87,459		
Roads		2,726,354	
Airports	78,950		
Debt Service		59,528	
Capital Projects		999,518	
Administration	536,873	348,942	525,126
Total Disbursements	6,591,715	4,134,342	3,433,683
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	8,588,659	(710,536)	(2,482,612)
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		362,937	
Transfers From Other Funds	472,128	23,332	2,560,760
Transfers To Other Funds	(8,495,000)		(23,332)
Total Other Adjustments to Cash (Uses)	(8,022,872)	386,269	2,537,428
Net Change in Fund Balance	565,787	(324,267)	54,816
Fund Balance - Beginning (Restated)	1,966,817	1,358,019	173,435
Fund Balance - Ending	$ 2,532,604	$ 1,033,752	$ 228,251
Composition of Fund Balance			
Bank Balance	$ 2,594,260	$ 1,076,509	$ 248,131
Plus: Deposits In Transit		11	
Less: Outstanding Checks	(61,656)	(42,768)	(19,880)
Fund Balance - Ending	$ 2,532,604	$ 1,033,752	$ 228,251

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, 2025
(Continued)

	Budgeted Funds					
Local Government Economic Assistance Fund	Emergency Management Fund	Alcohol Regulatory Licenses Fund	Grant Fund	Opioid Settlement Fund	Insurance Fund	American Rescue Plan Act Fund
$	$	$	$	$	$	$
		2,201				
24,405	28,423		880,095			
				70,429		
			10,510			
1,595	310	79		2,188	642,798	107,646
26,000	28,733	2,280	890,605	72,617	642,798	107,646
			625,015		287,149	18,180
	75,545	4,790				
				166,370		
			8,309			
			3,050		2,945,255	1,357,469
	23,345					
	98,890	4,790	636,374	166,370	3,232,404	1,375,649
26,000	(70,157)	(2,510)	254,231	(93,753)	(2,589,606)	(1,268,003)
	70,000		50,000			
			(246,150)			(511,738)
	70,000		(196,150)			(511,738)
26,000	(157)	(2,510)	58,081	(93,753)	(2,589,606)	(1,779,741)
20,039	9,272	3,813	82,557	94,778	15,480,359	3,100,796
$ 46,039	$ 9,115	$ 1,303	$ 140,638	$ 1,025	$ 12,890,753	$ 1,321,055
$ 46,039	$ 9,485	$ 1,303	$ 140,638	$ 1,025	$ 12,936,855	$ 1,321,055
	(370)				(46,102)	
$ 46,039	$ 9,115	$ 1,303	$ 140,638	$ 1,025	$ 12,890,753	$ 1,321,055

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, 2025
(Continued)

	Budgeted Funds			
	ASAP Fund	Federal Drug Fund	HB752 Admin Building Fund	Clerk Permanent Storage Fee Fund
RECEIPTS				
Taxes	$	$	$	$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental	133,504			
Charges for Services				
Miscellaneous		3,045		58,450
Interest	447	45	174,534	4,712
Total Receipts	133,951	3,090	174,534	63,162
DISBURSEMENTS				
General Government				59,558
Protection to Persons and Property		2,464		
General Health and Sanitation				
Social Services	146,846			
Recreation and Culture				
Roads				
Airports				
Debt Service				
Capital Projects			124,592	
Administration				
Total Disbursements	146,846	2,464	124,592	59,558
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(12,895)	626	49,942	3,604
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds			6,100,000	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)			6,100,000	
Net Change in Fund Balance	(12,895)	626	6,149,942	3,604
Fund Balance - Beginning (Restated)	17,202			108,434
Fund Balance - Ending	$ 4,307	$ 626	$ 6,149,942	$ 112,038
Composition of Fund Balance				
Bank Balance	$ 4,307	$ 626	$ 6,149,942	$ 112,038
Plus: Deposits In Transit				
Less: Outstanding Checks				
Fund Balance - Ending	$ 4,307	$ 626	$ 6,149,942	$ 112,038

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, 2025
(Continued)

Unbudgeted Fund	
Jail Commissary Fund	Total Funds
$	$ 6,470,683
	109,017
	485,957
	153,793
	12,727,478
	117,964
32,945	537,240
72	1,131,552
33,017	$ 21,733,684
	5,923,862
	3,635,426
	132,625
	490,994
22,836	118,604
	2,726,354
	78,950
	59,528
	5,429,884
	1,434,286
22,836	20,030,513
10,181	1,703,171
	362,937
	9,276,220
	(9,276,220)
	362,937
10,181	2,066,108
127,749	22,543,270
$ 137,930	$ 24,609,378
$ 137,930	$ 24,780,143
	11
	(170,776)
$ 137,930	$ 24,609,378

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

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TO THE FINANCIAL STATEMENT

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GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2025

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

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

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

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

Insurance Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with repairing and rebuilding county facilities that were damaged or destroyed by a tornado. The primary source of receipts for this fund is insurance proceeds.

American Rescue Plan Act Fund - The primary purpose of this fund is to account for receipts received from the federal government.

ASAP Fund - The primary purpose of this fund is to account for funds used to reduce the incidence of youth and adults engaging in substance abuse and to promote effective treatment of substance abuse throughout the county. The primary source of receipts of this fund is state and federal grants.

Federal Drug Fund - The primary purpose of this fund is to account for the receipt of funds forfeited in federal drug cases. To be expended for drug enforcement duties.

HB752 Admin Building Fund - The primary purpose of this fund is to account for funds received from the State Aid Funding Emergencies Funds (SAFE) program. Funds will be obligated to assist in disaster recovery.

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

Unbudgeted 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.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

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

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).

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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 Organizations, Jointly-Governed and Joint Ventures

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

Mayfield-Graves County Tourism
Mayfield-Graves County Senior Citizens
Graves County Water District
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 these criteria, the following are considered joint ventures of the Graves County Fiscal Court:

Mayfield-Graves County Parks & Recreation – This is a 50/50 arrangement with City of Mayfield
Mayfield-Graves County Ambulance Service - Service is managed by city, county buys ambulances and equipment, city pays insurance and personnel costs

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 these criteria, the following are considered jointly governed organizations of the Graves County Fiscal Court:

Mayfield-Graves County Industrial Development
Graves County Economic Development Authority

Note 2. Deposits

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

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of DLG's *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2025, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2025.

	General Fund	Jail Fund	Grant Fund	American Rescue Plan Act Fund	Total Transfers In
General Fund	$	$	$ 10,390	$ 461,738	$ 472,128
Road Fund		23,332			23,332
Jail Fund	2,325,000		235,760		2,560,760
Emergency Management Fund	70,000				70,000
Grant Fund				50,000	50,000
Administration Building Fund	6,100,000				6,100,000
Total Transfers Out	$ 8,495,000	$ 23,332	$ 246,150	$ 511,738	$ 9,276,220

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 Trust Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Trust Fund as of June 30, 2025, was $36,388.

Note 5. Commitments – Lease Agreements and Subscription-Based Information Technology Arrangements (SBITA)

A. Leases – Lessee

The Graves County Fiscal Court was committed to the following lease agreements as lessee as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
Medical Equipment	Nov-22	10 years	Annually	Nov-33	$ 116,561	$ 699,363
Backhoe Loader	Feb-23	5 years	Monthly	Feb-28	21,703	$ 57,140
Tractor	May-23	4 years	Annually	May-26	11,145	$ 11,145
Three Tractors	May-24	3 years	Monthly	May-27	28,312	$ 54,264
Fleet Vehicles (Thirty-six vehicles)	Various	Various	Monthly	Various	270,581	$ 475,126

B. Subscription-Based Information Technology Arrangements (SBITA)

The Graves County Fiscal Court was committed to the following SBITAs as of June 30, 2025:

Description	Effective Date	Length of Term	Frequency of Payments	Ending Date	Amount of Payments	Balance June 30, 2025
FiscalBooks Accounting Subscription	Oct-21	20 years	Annually	Oct-41	$ 14,995	$ 0
FiscalPay Accounting Subscription	Oct-21	20 years	Annually	Oct-41	16,200	$ 0
FiscalTax Accounting Subscription	Oct-21	20 years	Annually	Oct-41	14,995	$ 0
FiscalExpress Accounting Subscription	Oct-21	20 years	Annually	Oct-41	9,995	$ 0

Note 6. Long-term Debt

A. Direct Borrowings and Direct Placements

1. 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%. Due to the tornado that occurred in December 2021 and its impact on the Graves County Jail, the repayment of the lease period was extended. On May 31, 2025, the remaining debt was written off by the lending institution.

2. Kubota Mini Excavator

On November 30, 2022, the Graves County Fiscal Court entered into a government obligation contract with Lease Servicing Center, Inc. (LSC) for the purpose of purchasing a mini excavator for the road department. The principal on the lease is $108,563 with repayment to be made over 60 months with interest set at 6.587%. The excavator is pledged as collateral. Upon an event of default, LSC may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable by the fiscal court and/or LSC may repossess the unit by giving the fiscal court written notice to deliver the units to LSC, or in the event the fiscal court fails to do so within fifteen days after receipt of such notice, and subject to all applicable laws, LSC may enter upon the fiscal court's premises and take possession of the unit.

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Kubota Mini Excavator (Continued)

As of June 30, 2024, the lease principal was $58,879. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 22,401	$ 3,203
2027	23,918	1,685
2028	12,560	242
Totals	$ 58,879	$ 5,130

3. John Deere Wheel Loader

On May 15, 2025, the Graves County Fiscal Court entered into a capital lease with Deere Credit Inc. for the purpose of purchasing a wheel loader for the road department. The principal on the lease is $179,937 with repayment to be made over 60 months with interest set at 5.35%. The wheel loader is pledged as collateral. Upon an event of default, Deere Credit Inc. 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 Deere Credit Inc. may repossess the unit by giving the fiscal court written notice to deliver the units to Deere Credit Inc., or in the event the fiscal court fails to do so Deere Credit Inc. may take possession of the unit. As of June 30, 2025, the lease principal was $177,314. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2026	$ 32,395	$ 8,700
2027	34,171	6,923
2028	36,045	5,050
2029	38,021	3,073
2030	36,682	989
Totals	$ 177,314	$ 24,735

Note 6. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Wells Fargo Mow Trim

On November 2, 2024, the Graves County Fiscal Court entered into a capital lease with Wells Fargo, for the purpose of purchasing a new wheel tractor and boom mower for the road department. The principal on the lease is $183,000 with repayment to be made over 60 months with a lease factor rate of 1.95%. The tractor and boom mower is pledged as collateral. Upon an event of default, Wells Fargo 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 Wells Fargo may repossess the unit by giving the fiscal court written notice to deliver the units to Wells Fargo, or in the event the fiscal court fails to do so Wells Fargo may take possession of the unit. As of June 30, 2025, the lease principal was $152,500. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Scheduled Principal and Interest
2026	$ 36,600
2027	36,600
2028	36,600
2029	36,600
2030	6,100
Totals	$ 152,500

B. Changes In Long-term Debt

Long-term debt activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	$ 113,160	$ 362,937	$ 87,403	$ 388,694	$ 124,694
Total Long-term Debt	$ 113,160	$ 362,937	$ 87,403	$ 388,694	$ 124,694

Note 6. Long-term Debt (Continued)

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations on June 30, 2025, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2026	$ 91,396	$ 11,903
2027	94,689	8,608
2028	85,205	5,292
2029	74,621	3,073
2030	42,782	989
Totals	$ 388,693	$ 29,865

Note 7. Contingencies

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

Note 8. Employee Retirement System

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

The county's contribution for FY 2023 was $1,165,305, FY 2024 was $1,102,044, and FY 2025 was $958,458.

Nonhazardous

Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salary to be allocated as follows: 5% will go to the member's account and 1% will be allocated to CERS's share of assets in the Ky. Ret. Sys. insurance trust fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5% of their annual creditable compensation. Nonhazardous members also contribute 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by CERS Board of Trustees 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% 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 19.71%.

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 $10 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.

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

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

Once members reach a minimum vesting period of 15 years, they earn $10 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%. 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% cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

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

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5%. 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.

F. Annual Financial Report and Proportionate Share Audit Report

KPPA 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. Some reports may also be obtained online at https://kyret.ky.gov.

GRAVES COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2025
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

F. Annual Financial Report and Proportionate Share Audit Report (Continued)

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

Note 9. Deferred Compensation

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

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

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

Note 10. Health Reimbursement Account/Flexible Spending Account

The Graves County Fiscal Court offered its employees a health insurance plan that included the benefit of the first $2,100 of claims for the year to be paid by the county. The insurance company sends a monthly report to the county documenting the names of employees, the date of service, and the amount of claims due from the county. This amount is paid monthly, along with health insurance, from the payroll revolving account.

Note 11. Insurance

For the fiscal year ended June 30, 2025, 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 12. Related Party Transactions

During the fiscal year, the Graves County Fiscal Court purchased $24,098 of materials from two local businesses that are associated with two of the county commissioners.

Note 13. Conduit Debt

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

Note 14. Tax Abatements

A. Pilgrim's Pride

Occupational taxes were abated under the authority of the Graves County Fiscal Court. Pilgrim's Pride is eligible to receive this tax abatement due to an ordinance passed by the Graves County Fiscal Court. The taxes are abated by the county deciding to forego occupational taxes which are otherwise due the county. The Graves County Fiscal Court agreed to participate in the grant of incentives under the KBI program by contributing 1% of the local occupational tax pursuant to the provisions of KRS 154-32.090. The state local participation ratio in this grant of incentives shall be 75% to 25%. For the fiscal year ended June 30, 2025, the Graves County Fiscal Court abated occupational taxes totaling $0.

B. 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 100% of the gross wages of newly created employees as a result of the project within the development area for a period of 30 years. 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. For fiscal year ended June 30, 2025, the Graves County Fiscal Court abated real ad valorem and occupational license taxes totaling $169,995.

C. Gideon's Crossing Development Area

Real ad valorem taxes were abated under the authority of the Graves County Fiscal Court. The Gideon's Crossing Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county, by pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 100% of real ad valorem taxes that are otherwise due to the county, from businesses in this development area for a period of 30 years. 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. For fiscal year ended June 30, 2025, the Graves County Fiscal Court abated real ad valorem taxes totaling $3,662.

Note 14. Tax Abatements (Continued)

D. Mayfield Shopping Plaza Development Area

Real ad valorem taxes were abated under the authority of the Graves County Fiscal Court. The Mayfield Shopping Plaza Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county, by pursuant to KRS 65.7041. The taxes are abated by the county deciding to forego 75% of real ad valorem that are otherwise due to the county, from businesses in this development area for a period of 20 years. As part of the tax abatement agreement, the Graves County Fiscal Court committed to pledge certain incremental county revenues created by within the development area to pay for project costs and provide redevelopment assistance for the project. For fiscal year ended June 30, 2025, the Graves County Fiscal Court abated real ad valorem taxes totaling $2,351.

E. Grace Commercial Park Development Area

Real ad valorem taxes were abated under the authority of the Graves County Fiscal Court. The Grace Commercial Park Development Area is eligible to receive this tax abatement due to the economic development area providing incentives for the citizens of the county, by pursuant to KRS 65.7041. The WKT Development Area agreed to the following provision: The county has established a job assessment fee of 100% of the gross wages of newly created employees as a result of the project within the development area for a period of 30 years. 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. For fiscal year ended June 30, 2025, the Graves County Fiscal Court abated real ad valorem taxes totaling $71,919.

Note 15. Prior Period Adjustments

	General Fund
Ending Fund Balance Prior Year	$ 1,989,812
Adjustment:	
Remove Payroll Account Balance	(23,311)
Prior Year Debit Memo	116
Prior Year Voided Checks	200
Beginning Balance - Restated	$ 1,966,817

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

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GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2025

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 5,909,800	$ 5,886,000	$ 6,470,683	$ 584,683
In Lieu Tax Payments	98,000	98,000	109,017	11,017
Excess Fees	440,000	440,000	485,957	45,957
Licenses and Permits	150,500	150,500	151,592	1,092
Intergovernmental	1,180,700	1,180,700	7,490,838	6,310,138
Charges for Services	30,000	30,000	32,500	2,500
Miscellaneous	245,000	245,000	333,867	88,867
Interest	105,000	105,000	105,920	920
Total Receipts	8,159,000	8,135,200	15,180,374	7,045,174
DISBURSEMENTS				
General Government	5,372,242	5,344,429	4,933,960	410,469
Protection to Persons and Property	652,860	680,481	644,070	36,411
General Health and Sanitation	159,500	159,500	132,625	26,875
Social Services	185,800	190,050	177,778	12,272
Recreation and Culture	87,000	87,500	87,459	41
Airports	89,129	89,179	78,950	10,229
Administration	603,766	575,358	536,873	38,485
Total Disbursements	7,150,297	7,126,497	6,591,715	534,782
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,008,703	1,008,703	8,588,659	7,579,956
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			472,128	472,128
Transfers To Other Funds	(3,200,078)	(3,200,078)	(8,495,000)	(5,294,922)
Total Other Adjustments to Cash (Uses)	(3,200,078)	(3,200,078)	(8,022,872)	(4,822,794)
Net Change in Fund Balance	(2,191,375)	(2,191,375)	565,787	2,757,162
Fund Balance - Beginning (Restated)	2,191,375	2,191,375	1,966,817	(224,558)
Fund Balance - Ending	$ 0	$ 0	$ 2,532,604	$ 2,532,604

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 2,821,574	$ 3,090,574	$ 3,272,853	$ 182,279
Miscellaneous	48,000	48,000	69,899	21,899
Interest	20,000	20,000	81,054	61,054
Total Receipts	2,889,574	3,158,574	3,423,806	265,232
DISBURSEMENTS				
Roads	2,730,442	2,727,762	2,726,354	1,408
Debt Service		102,404	59,528	42,876
Capital Projects	877,690	1,046,966	999,518	47,448
Administration	499,698	499,698	348,942	150,756
Total Disbursements	4,107,830	4,376,830	4,134,342	242,488
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,218,256)	(1,218,256)	(710,536)	507,720
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			362,937	362,937
Transfers From Other Funds	18,256	18,256	23,332	5,076
Total Other Adjustments to Cash (Uses)	18,256	18,256	386,269	368,013
Net Change in Fund Balance	(1,200,000)	(1,200,000)	(324,267)	875,733
Fund Balance - Beginning	1,200,000	1,200,000	1,358,019	158,019
Fund Balance - Ending	$ 0	$ 0	$ 1,033,752	$ 1,033,752

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 1,075,800	$ 1,075,800	$ 897,360	$ (178,440)
Charges for Services	11,500	11,500	15,035	3,535
Miscellaneous	3,500	3,500	28,524	25,024
Interest	4,000	4,000	10,152	6,152
Total Receipts	1,094,800	1,094,800	951,071	(143,729)
DISBURSEMENTS				
Protection to Persons and Property	3,545,532	3,547,532	2,908,557	638,975
Administration	655,500	889,260	525,126	364,134
Total Disbursements	4,201,032	4,436,792	3,433,683	1,003,109
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,106,232)	(3,341,992)	(2,482,612)	859,380
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	3,106,232	3,106,232	2,560,760	(545,472)
Transfers To Other Funds			(23,332)	(23,332)
Total Other Adjustments to Cash (Uses)	3,106,232	3,106,232	2,537,428	(568,804)
Net Change in Fund Balance		(235,760)	54,816	290,576
Fund Balance - Beginning			173,435	173,435
Fund Balance - Ending	$ 0	$ (235,760)	$ 228,251	$ 464,011

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 18,256	$ 18,256	$ 24,405	$ 6,149
Interest	1,000	1,000	1,595	595
Total Receipts	19,256	19,256	26,000	6,744
DISBURSEMENTS				
Roads	1,000	1,000		1,000
Total Disbursements	1,000	1,000		1,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	18,256	18,256	26,000	7,744
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(18,256)	(18,256)		18,256
Total Other Adjustments to Cash (Uses)	(18,256)	(18,256)		18,256
Net Change in Fund Balance			26,000	26,000
Fund Balance - Beginning			20,039	20,039
Fund Balance - Ending	$ 0	$ 0	$ 46,039	$ 46,039

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	EMERGENCY MANAGEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 24,500	$ 24,500	$ 28,423	$ 3,923
Interest	200	200	310	110
Total Receipts	24,700	24,700	28,733	4,033
DISBURSEMENTS				
Protection to Persons and Property	91,772	92,983	75,545	17,438
Administration	26,774	25,563	23,345	2,218
Total Disbursements	118,546	118,546	98,890	19,656
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(93,846)	(93,846)	(70,157)	23,689
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	93,846	93,846	70,000	(23,846)
Total Other Adjustments to Cash (Uses)	93,846	93,846	70,000	(23,846)
Net Change in Fund Balance			(157)	(157)
Fund Balance - Beginning			9,272	9,272
Fund Balance - Ending	$ 0	$ 0	$ 9,115	$ 9,115

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ALCOHOL REGULATORY LICENSES FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	$ 3,000	$ 3,000	$ 2,201	$ (799)
Interest	120	120	79	(41)
Total Receipts	3,120	3,120	2,280	(840)
DISBURSEMENTS				
Protection to Persons and Property	6,698	6,698	4,790	1,908
Total Disbursements	6,698	6,698	4,790	1,908
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,578)	(3,578)	(2,510)	1,068
Net Change in Fund Balance	(3,578)	(3,578)	(2,510)	1,068
Fund Balance - Beginning	3,578	3,578	3,813	235
Fund Balance - Ending	$ 0	$ 0	$ 1,303	$ 1,303

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 20,422	$ 256,182	$ 880,095	$ 623,913
Miscellaneous	1,873,750	1,873,750	10,510	(1,863,240)
Total Receipts	1,894,172	2,129,932	890,605	(1,239,327)
DISBURSEMENTS				
General Government	1,623,750	1,623,750	625,015	998,735
Recreation and Culture	250,000	250,000	8,309	241,691
Capital Projects	100,000	100,000	3,050	96,950
Total Disbursements	1,973,750	1,973,750	636,374	1,337,376
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(79,578)	156,182	254,231	98,049
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			50,000	50,000
Transfers To Other Funds			(246,150)	(246,150)
Total Other Adjustments to Cash (Uses)			(196,150)	(196,150)
Net Change in Fund Balance	(79,578)	156,182	58,081	(98,101)
Fund Balance - Beginning	79,578	79,578	82,557	2,979
Fund Balance - Ending	$ 0	$ 235,760	$ 140,638	$ (95,122)

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	OPIOID SETTLEMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	$ 30,000	$ 230,000	$ 70,429	$ (159,571)
Interest	125	125	2,188	2,063
Total Receipts	30,125	230,125	72,617	(157,508)
DISBURSEMENTS				
Social Services	32,054	324,903	166,370	158,533
Total Disbursements	32,054	324,903	166,370	158,533
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,929)	(94,778)	(93,753)	1,025
Net Change in Fund Balance	(1,929)	(94,778)	(93,753)	1,025
Fund Balance - Beginning	1,929	94,778	94,778	
Fund Balance - Ending	$ 0	$ 0	$ 1,025	$ 1,025

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	INSURANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 6,000,000	$ 6,000,000	$	$ (6,000,000)
Interest	485,000	485,000	642,798	157,798
Total Receipts	6,485,000	6,485,000	642,798	(5,842,202)
DISBURSEMENTS				
General Government	1,100,000	1,108,000	287,149	820,851
Capital Projects	21,001,588	14,993,588	2,945,255	12,048,333
Total Disbursements	22,101,588	16,101,588	3,232,404	12,869,184
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(15,616,588)	(9,616,588)	(2,589,606)	7,026,982
Net Change in Fund Balance	(15,616,588)	(9,616,588)	(2,589,606)	7,026,982
Fund Balance - Beginning	15,616,588	15,616,588	15,480,359	(136,229)
Fund Balance - Ending	$ 0	$ 6,000,000	$ 12,890,753	$ 6,890,753

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$ 135,000	$ 135,000	$ 107,646	$ (27,354)
Total Receipts	135,000	135,000	107,646	(27,354)
DISBURSEMENTS				
General Government	36,000	36,000	18,180	17,820
Capital Projects	3,080,768	3,080,768	1,357,469	1,723,299
Total Disbursements	3,116,768	3,116,768	1,375,649	1,741,119
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,981,768)	(2,981,768)	(1,268,003)	1,713,765
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(511,738)	(511,738)
Total Other Adjustments to Cash (Uses)			(511,738)	(511,738)
Net Change in Fund Balance	(2,981,768)	(2,981,768)	(1,779,741)	1,202,027
Fund Balance - Beginning	2,981,768	2,981,768	3,100,796	119,028
Fund Balance - Ending	$ 0	$ 0	$ 1,321,055	$ 1,321,055

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	ASAP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 165,000	$ 165,000	$ 133,504	$ (31,496)
Interest	658	658	447	(211)
Total Receipts	165,658	165,658	133,951	(31,707)
DISBURSEMENTS				
Social Services	169,362	169,362	146,846	22,516
Total Disbursements	169,362	169,362	146,846	22,516
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(3,704)	(3,704)	(12,895)	(9,191)
Net Change in Fund Balance	(3,704)	(3,704)	(12,895)	(9,191)
Fund Balance - Beginning	3,704	3,704	17,202	13,498
Fund Balance - Ending	$ 0	$ 0	$ 4,307	$ 4,307

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	FEDERAL DRUG FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$	$ 10,000	$ 3,045	$ (6,955)
Interest			45	45
Total Receipts		10,000	3,090	(6,910)
DISBURSEMENTS				
Protection to Persons and Property		10,000	2,464	7,536
Total Disbursements		10,000	2,464	7,536
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			626	626
Net Change in Fund Balance			626	626
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ 0	$ 626	$ 626

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	HB752 ADMIN BUILDING FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	$	$	$ 174,534	$ 174,534
Total Receipts			174,534	174,534
DISBURSEMENTS				
Capital Projects		6,000,000	124,592	5,875,408
Total Disbursements		6,000,000	124,592	5,875,408
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(6,000,000)	49,942	6,049,942
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			6,100,000	6,100,000
Total Other Adjustments to Cash (Uses)			6,100,000	6,100,000
Net Change in Fund Balance		(6,000,000)	6,149,942	12,149,942
Fund Balance - Beginning				
Fund Balance - Ending	$ 0	$ (6,000,000)	$ 6,149,942	$ 12,149,942

GRAVES COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2025
(Continued)

	CLERK PERMANENT STORAGE FEE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	$ 54,000	$ 54,000	$ 58,450	$ 4,450
Interest	4,285	4,285	4,712	427
Total Receipts	58,285	58,285	63,162	4,877
DISBURSEMENTS				
General Government	162,395	162,395	59,558	102,837
Total Disbursements	162,395	162,395	59,558	102,837
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(104,110)	(104,110)	3,604	107,714
Net Change in Fund Balance	(104,110)	(104,110)	3,604	107,714
Fund Balance - Beginning	104,110	104,110	108,434	4,324
Fund Balance - Ending	$ 0	$ 0	$ 112,038	$ 112,038

GRAVES COUNTY
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2025

Note 1. Budgetary Information

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

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

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

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GRAVES COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

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GRAVES COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2025

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land/Land Improvements	$ 1,094,956	$ 1,115,000	$	$ 2,209,956
Buildings/Building Improvements	5,799,356	907,034	16,100	6,690,290
Construction in Progress	309,890	903,829	907,034	306,685
Vehicles	2,276,997	504,928	59,900	2,722,025
Machinery and Equipment	865,132	622,454	28,501	1,459,085
Infrastructure	142,255,422	1,733,317		143,988,739
Total Capital Assets	$ 152,601,753	$ 5,786,562	$ 1,011,535	$ 157,376,780

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

June 30, 2025

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.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	$ 25,000	10-60
Buildings and Building Improvements	$ 50,000	10-75
Vehicles	$ 5,000	3-25
Equipment	$ 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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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Graves County Fiscal Court for the fiscal year ended June 30, 2025, 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 8, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 Responses as items 2025-001, 2025-003, and 2025-004 to be material weaknesses.

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

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2025-002 to be a significant deficiency.

Report on Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Graves County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-003, and 2025-004.

Views of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

June 8, 2026

GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

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GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

For The Year Ended June 30, 2025

2025-001 The Graves County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-001. The Graves County Fiscal Court lacks adequate internal controls over disbursements. Of the 54 disbursements tested, 21 invoices totaling $4,334,955 had purchase orders that were not authorized until after the expenses had already been incurred, and six invoices totaling $830,868 were not paid within 30 days as required. Furthermore, the bid process was not followed on the county's vehicle fleet lease agreement.

Cause

Fiscal court failed to establish appropriate internal controls over the purchase order system and disbursement process. According to staff, purchase orders are often issued and dated when the invoices are received. The county was unaware that the fleet agreement was required to be bid.

Effect

The fiscal court's failure to establish effective internal controls over disbursements could result in inaccurate financial reporting, misappropriation of assets, cash flow problems, overspent line-items, and claims being paid that are not valid obligations of the fiscal court. By not following the bid process, the county may not receive the best value for the item or service provided.

Criteria

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." An effective purchase order system is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Moreover, implementation of strong internal controls over disbursements is necessary to prevent misappropriation of assets, cash flow problems, overspent line-items, and claims being paid that are not valid obligations of the fiscal court.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG's) *County Budget Preparation and State Local Finance Officer Policy Manual* outlines requirements for counties' handling of public funds, including required purchasing procedures for counties.

According to a memorandum from DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-001 The Graves County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements (Continued)

Criteria (Continued)

KRS 65.140(2) states, "[u]nless the purchaser and vendor otherwise contract, all bills for goods or service shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

During the fiscal year examined, KRS 424.260 stated, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:
(a) Materials;
(b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
(c) Equipment; or
(d) Contractual services other than professional; involving an expenditure of more than forty thousand dollars ($40,000) without first making newspaper advertisement for bids."

Also, according to the county's administrative code, Chapter 8, section 8.2 c, "Any expenditure or contract for materials, supplies (except perishable meat, fish, and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than what the Kentucky Statute states shall be subject to competitive bidding."

Recommendations

We recommend the Graves County Fiscal Court strengthen internal controls over disbursements by requiring that purchase orders be issued prior to all purchases being made, and ensure all expenditures be paid timely. We further recommend that the county follow the county's and state's bidding requirements for all expenditures over the bid threshold.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: Graves County Fiscal Court is continuing to improve on our Purchase Order System, disbursements, receipts and overall day to day operations to help minimize any problems for the future.

2025-002 The Graves County Fiscal Court Did Not Properly Account For And Report Debt Service Obligations

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-005. The Graves County Fiscal Court did not properly account for and report debt service obligations on the quarterly financial reports. During the fiscal year, the county entered into two new financing agreements, totaling $362,937. However, the county failed to account for the financing proceeds and the purchase of new capital assets within the county's budget. The county did not budget and record $58,879 of debt service payments in the proper account codes. Also, as of June 30, 2025, the county reported $478,175 of outstanding debt; however, the confirmed principal balance was $388,694. Also, the county omitted all outstanding interest from the Schedule of Liabilities.

GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-002 The Graves County Fiscal Court Did Not Properly Account For And Report Debt Service Obligations (Continued)

Cause

The county did not report the outstanding debt balance on a mini excavator because the county believed it had entered into an operating lease. However, after reviewing the contract, the county concluded it was a financing agreement for the purchase of the equipment. Also, according to the county treasurer, the lease for medical equipment was mistakenly reported as long-term debt due to not understanding the difference between reported long-term debt and leased assets.

The fiscal court was unaware the debt proceeds and purchase of the new equipment were required to be recorded in the county's budget or that debt service payments should be budgeted in special account codes.

Effect

Because debt obligations were not properly accounted for, the financial statements and the Schedule of Liabilities were not accurately reported to the Department for Local Government.

Criteria

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual* which states that all borrowed money received and repaid must be reflected in the county budget. Budget amendments for unanticipated borrowed monies (4911) must appropriate 100% of the borrowed funds for repayment, and amendments for unanticipated lease proceeds (4912) must appropriate 100% of the proceeds for the lease project.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The proper accounting and reporting of outstanding debt service accounts is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Additionally, good internal controls require accurate information to be presented so that the fiscal court can make informed financial decisions, such as budget preparation or making large purchases.

Recommendations

We recommend the Graves County Fiscal Court strengthen internal controls over the reporting of debt service. Internal controls, such as the review of account codes used for debt service payments, recording new financing arrangements, review debt schedules and the debt liabilities section of the quarterly financial statements to ensure all outstanding principal and interest are properly accounted for and accurately reported.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The County Treasurer will review all contracts and correct accounting codes of debt service payments.

GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-003 The Graves County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases

Condition and Context

This is a repeat finding and was included in the prior year audit report as finding 2024-003. The Graves County Fiscal Court leases assets from various vendors. While the county maintained a schedule of leases, the schedule was not complete and accurate as it excluded eight lease agreements and erroneously included three lease agreements.

Cause

According to staff, the lease agreements were erroneously included and excluded from the schedule due to the fact that the county has many agreements, and the terms of those agreements change each year. Therefore, it is easy to overlook and exclude a lease by mistake.

Effect

Because the schedule of leases did not include a large lease for medical equipment and seven other leases, current year payments were misstated by $146,588, and outstanding lease obligations were misstated by $683,188. Additionally, Graves County was not in compliance with the requirements of Governmental Accounting Standards Board (GASB) Statement 87.

Criteria

A schedule of leases is a required part of the financial statement reporting package required by the Department for Local Government. Furthermore, GASB Statement No. 87 establishes standards of accounting and financial reporting for leases by lessees and lessors. The note disclosure requirements of this statement apply to financial statements of all state and local governments and should include the following:

1) Lessee:
   a) A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value.
   b) The total amount of lease, principal and interest (if disclosed in agreement).

2) Lessor:
   a) A general description of its leasing arrangements, including the basis, terms, and conditions.
   b) The existence, terms, and conditions of options by the lessee to terminate the lease.

Additionally, KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Maintaining a complete and accurate schedule of leases is a basic internal control necessary to ensure the accuracy and reliability of financial reports. Moreover, strong internal controls dictate that Graves County maintain an accurate schedule of leases to ensure note disclosures are complete and adequate.

GRAVES COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2025
(Continued)

2025-003 The Graves County Fiscal Court Did Not Maintain A Complete And Accurate Schedule Of Leases (Continued)

Recommendations

We recommend the Graves County Fiscal Court maintain a complete schedule of all leases and follow the standards set forth by GASB 87 to ensure note disclosures are complete and accurate.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The Graves County Treasurer and Finance Officer are working diligently to ensure all schedule of leases are reported properly.

2025-004 The Graves County Fiscal Court Did Not Properly Classify Grant Funds

Condition and Context

The Graves County Fiscal Court received $644,335 in grant funds during the fiscal year that were posted as miscellaneous receipts instead of grant funds under the intergovernmental revenues category.

Cause

The county treasurer stated that these funds were not recorded as intergovernmental grant funds because they were just a pass-through grant.

Effect

Receipts were not properly classified in the correct account code.

Criteria

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The proper classification of receipts is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

KRS 68.020(4) states, "[t]he county treasurer shall keep an accurate detailed account of all money received and disbursed by him or her for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer."

Recommendations

We recommend the fiscal court properly record all funds received by state agencies in the Intergovernmental Revenue category.

Views of Responsible Official and Planned Corrective Action

County Judge/Executive's Response: The County Treasurer has corrected the revenue code for the Intergovernmental Revenue we receive moving forward.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GRAVES COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE

GRAVES COUNTY FISCAL COURT

For The Year Ended June 30, 2025

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