

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

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



**MIKE HARMON
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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



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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Supplementary and Other Information

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

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

To the People of Kentucky
The Honorable Andy Beshear, Governor
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Other Matters (Continued)

Supplementary and Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2023, on our consideration of the Magoffin 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 Magoffin County Fiscal Court's internal control over financial reporting and compliance.

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

- 2021-001 The Magoffin County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was Materially Misstated
- 2021-002 Long Term Liabilities Reported On The Fourth Quarter Financial Statement Were Materially Misstated

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

July 6, 2023

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

Matthew Wireman	County Judge/Executive
Darrell Ray Howard	Magistrate
Pernell Lemaster	Magistrate
Joe Bailey	Magistrate

Other Elected Officials:

Gregory D. Allen	County Attorney
Bryan Montgomery	Jailer
Renee Arnett Shepherd	County Clerk
Tonya Ward	Circuit Court Clerk
Carson Montgomery	Sheriff
Rebecca "Becky" Allen	Property Valuation Administrator
Mark Jenkins	Coroner

Appointed Personnel:

Josephine Bailey	County Treasurer
Kila Keeton	Chief Financial Officer
Kevin Howard	Deputy Judge/Executive

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds			
	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
RECEIPTS				
Taxes	\$ 1,908,307	\$	\$	\$
Excess Fees	66,180			
Licenses and Permits	136,553			
Intergovernmental	1,199,633	2,508,943	80,601	219,321
Charges for Services			301	100
Miscellaneous	191,991	131,283	3,208	4,555
Interest	356	201	9	17
Total Receipts	<u>3,503,020</u>	<u>2,640,427</u>	<u>84,119</u>	<u>223,993</u>
DISBURSEMENTS				
General Government	1,497,798			55,784
Protection to Persons and Property	57,967		371,309	30,750
General Health and Sanitation				61,983
Social Services				49,698
Recreation and Culture	193,492			80,037
Transportation Facility and Services	142,000			
Roads		2,514,705		
Debt Service	110,074	453,458		
Capital Projects	1,179			
Administration	720,467	429,189	25,435	33,628
Total Disbursements	<u>2,722,977</u>	<u>3,397,352</u>	<u>396,744</u>	<u>311,880</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>780,043</u>	<u>(756,925)</u>	<u>(312,625)</u>	<u>(87,887)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		546,422		
Borrowed Money				
Change in Payroll Revolving Account	(68,917)			
Transfers From Other Funds	3,556	67,100	300,000	100,458
Transfers To Other Funds	(539,383)			
Total Other Adjustments to Cash (Uses)	<u>(604,744)</u>	<u>613,522</u>	<u>300,000</u>	<u>100,458</u>
Net Change in Fund Balance	175,299	(143,403)	(12,625)	12,571
Fund Balance - Beginning	609,846	509,311	15,038	22,009
Fund Balance - Ending	<u>\$ 785,145</u>	<u>\$ 365,908</u>	<u>\$ 2,413</u>	<u>\$ 34,580</u>
Composition of Fund Balance				
Bank Balance	\$ 807,516	\$ 368,159	\$ 14,064	\$ 35,134
Less: Outstanding Checks	(28,352)	(2,251)	(11,651)	(554)
Balance in Revolving Payroll Account	5,981			
Fund Balance - Ending	<u>\$ 785,145</u>	<u>\$ 365,908</u>	<u>\$ 2,413</u>	<u>\$ 34,580</u>

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

MAGOFFIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

Budgeted Funds							
Economic Development Fund	Forestry Fund	Solid Waste Fund	Sinking Fund	Health Reimbursement Account Fund	Alcohol Tax Fund	Right of Way Use Fund	Escrow For Clear River Fund
\$	\$ 2,460	\$ 79,165	\$	\$	\$ 34,957	\$	\$
					1,568		
7,000		152,169					
	60	9,851		7,581			
		119				9	
<u>7,000</u>	<u>2,520</u>	<u>241,304</u>		<u>7,581</u>	<u>36,525</u>	<u>9</u>	
					26,556		
	2,957	204,618					
			9,065				
7,000		26,999		10,311	2,846		
<u>7,000</u>	<u>2,957</u>	<u>231,617</u>	<u>9,065</u>	<u>10,311</u>	<u>29,402</u>		
	(437)	9,687	(9,065)	(2,730)	7,123	9	
	400		9,870				
		(8,890)					(67,100)
	<u>400</u>	<u>(8,890)</u>	<u>9,870</u>				<u>(67,100)</u>
	(37)	797	805	(2,730)	7,123	9	(67,100)
500	51	241,201		3,117	18,840	17,892	67,100
<u>\$ 500</u>	<u>\$ 14</u>	<u>\$ 241,998</u>	<u>\$ 805</u>	<u>\$ 387</u>	<u>\$ 25,963</u>	<u>\$ 17,901</u>	<u>\$ 0</u>
\$ 500	\$ 14	\$ 247,113	\$ 805	\$ 387	\$ 25,963	\$ 17,901	\$
		(5,115)					
<u>\$ 500</u>	<u>\$ 14</u>	<u>\$ 241,998</u>	<u>\$ 805</u>	<u>\$ 387</u>	<u>\$ 25,963</u>	<u>\$ 17,901</u>	<u>\$ 0</u>

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

MAGOFFIN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2021
(Continued)

	<u>Budgeted Funds</u>		<u>Unbudgeted Fund</u>	
	<u>911</u>	<u>Reserve</u>	<u>Public</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Properties</u>	<u>Funds</u>
			<u>Corporation</u>	
			<u>Fund</u>	
RECEIPTS				
Taxes	\$ 202,944	\$	\$	\$ 2,227,833
Excess Fees				66,180
Licenses and Permits				138,121
Intergovernmental	407,235		567,163	5,142,065
Charges for Services				461
Miscellaneous	3,067			351,536
Interest	36		1	748
Total Receipts	<u>613,282</u>	<u></u>	<u>567,164</u>	<u>7,926,944</u>
DISBURSEMENTS				
General Government				1,580,138
Protection to Persons and Property	418,191			881,174
General Health and Sanitation				266,601
Social Services				49,698
Recreation and Culture				273,529
Transportation Facility and Services				142,000
Roads				2,514,705
Debt Service	308,804		565,663	1,447,064
Capital Projects				8,179
Administration	113,721		1,500	1,364,096
Total Disbursements	<u>840,716</u>	<u></u>	<u>567,163</u>	<u>8,527,184</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>(227,434)</u>	<u></u>	<u>1</u>	<u>(600,240)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				546,422
Borrowed Money	146,000			146,000
Payroll Revolving Account				(68,917)
Transfers From Other Funds	133,989			615,373
Transfers To Other Funds				(615,373)
Total Other Adjustments to Cash (Uses)	<u>279,989</u>	<u></u>	<u></u>	<u>623,505</u>
Net Change in Fund Balance	52,555		1	23,265
Fund Balance - Beginning	<u>17,533</u>	<u>222</u>	<u>2,380</u>	<u>1,525,040</u>
Fund Balance - Ending	<u>\$ 70,088</u>	<u>\$ 222</u>	<u>\$ 2,381</u>	<u>\$ 1,548,305</u>
Composition of Fund Balance				
Bank Balance	\$ 70,088	\$ 222	\$ 2,381	\$ 1,590,247
Less: Outstanding Checks				(47,923)
Investments				5,981
Fund Balance - Ending	<u>\$ 70,088</u>	<u>\$ 222</u>	<u>\$ 2,381</u>	<u>\$ 1,548,305</u>

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

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TO THE FINANCIAL STATEMENT**

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**MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Accounting

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

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

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

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

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

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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.

Economic Development Fund - The primary purpose of this fund is to account for economic development activities. The primary source of receipts for this fund is grants.

Forestry Fund - The primary purpose of this fund is to account for collection and disbursements of taxes related to fire protection. The primary source of receipts for this fund is property tax.

Solid Waste Fund - The primary purpose of this fund is to account for solid waste and recycling receipts and disbursements. The primary sources of receipts for this fund are franchise fees and grants.

Sinking Fund - The primary purpose of this fund is to account for debt service requirements of First Mortgage Revenue Bonds, Series 1995. The primary sources of receipts for this fund are transfers in from other funds.

Health Reimbursement Account (HRA) Fund - The primary purpose of this fund is to account for the flexible spending account provided to employees as an additional health benefit. The primary sources of receipts for this fund are payroll deposits.

Alcohol Tax Fund - The primary purpose of this fund is to account for receipts and disbursements related to liquor licensing. The primary sources of receipts for this fund are taxes and license fees.

Right of Way Use Fund - The primary purpose of this fund is to account for funds collected from a private corporation in accordance with the terms of a signed contract for the purpose of repairing county right of ways in the event of damage caused by the private corporation.

Escrow for Clear River Fund - The primary purpose of this fund is to account for funds placed in escrow by a private corporation in the event damage is caused to certain county roads when transporting coal.

911 Fund - The primary purpose of this fund is to account for dispatch expense of the county. The primary sources of receipts for this fund are telephone surcharges.

Reserve Fund - The primary purpose of this fund is to account for debt service requirements for bond issues.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

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

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

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

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Magoffin County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Magoffin 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 Magoffin 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).

MAGOFFIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2021
(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.

Note 2. Deposits

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

Custodial Credit Risk - Deposits

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

Note 3. Transfers

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

	General Fund	Solid Waste Fund	Escrow for Clear River Fund	Total Transfers In
General Fund	\$	\$ 3,556	\$	\$ 3,556
Road Fund			67,100	67,100
Jail Fund	300,000			300,000
LGEA Fund	95,124	5,334		100,458
Forestry Fund	400			400
Sinking Fund	9,870			9,870
911 Fund	133,989			133,989
Total Transfers Out	<u>\$ 539,383</u>	<u>\$ 8,890</u>	<u>\$ 67,100</u>	<u>\$ 615,373</u>

Reason for transfers:

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

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

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:

Flex Spending Account - This fund accounts for optional contributions of pre-tax funds to be used by employees for qualifying medical benefits. The balance in the flex spending account as of June 30, 2021 was \$16,777.

Note 5. Short-term Debt

A. Line of Credit - \$301,800

The fiscal court had a line of credit with a local bank totaling \$301,800. The beginning unpaid balance on the line of credit was \$155,800. During the fiscal year, the fiscal court made two draws on the line of credit totaling \$146,000. The entire balance was paid off on January 21, 2021, leaving a zero balance as of June 30, 2021 and the line of credit was closed out.

B. Line of Credit - \$400,000

On May 18, 2021, the fiscal court authorized a line of credit with a local bank totaling \$400,000. No activity occurred for this line of credit during the fiscal year, leaving an unused line of credit totaling \$400,000 as of June 30, 2021.

C. Changes In Short-term Debt

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

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Line of Credit*	\$ 155,800	\$ 146,000	\$ 301,800	\$	\$
Total Short-term Debt	\$ 155,800	\$ 146,000	\$ 301,800	\$	\$

*The beginning balance for short-term debt line of credit was restated to reflect that there was an outstanding balance of \$155,800 in the prior year.

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

Note 6. Long-term Debt

A. Direct Borrowings

1. Kentucky Association of Counties Finance Corporation – Truck #5

In September 2019, the fiscal court entered into a lease with the Kentucky Association of Counties Finance Corporation for the purchase of a dump truck. The total proceeds of the lease were \$145,922. The fiscal court was required to make monthly interest payments at 3.99 percent with the lump sum final payment due in March 2021. The fiscal court made the required interest and principal payments and the lease was paid in full as of June 30, 2021.

2. Kentucky Association of Counties Finance Corporation – Truck #6

In October 2020, the fiscal court entered into a lease with the Kentucky Association of Counties Finance Corporation for the purchase of a dump truck. The total proceeds of the lease were \$146,422. The fiscal court is required to make monthly interest payments at 3.75 percent with the lump sum final payment due in May 2022. The full faith, credit and revenue of the borrower was pledged for the prompt payment thereof. Whenever any event of default has occurred and is continuing, the lender may, without any further demand or notice, take one or any combination of the following remedial steps: 1) enforce the pledge in an amount sufficient to pay the payments when and as due; 2) take legal title to, and sell or re-lease the project or any portion thereof; take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the asset under the agreement and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the borrower of the applicable covenants and agreements of the borrower under the agreement and to recover damages for the breach thereof. The borrower will remain liable for all covenants and obligations under the agreement, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lender with respect to the enforcement of any of the remedies under the agreement, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance of the agreement was \$146,422 as of June 30, 2021. Future loan principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 146,422	\$ 5,033
Totals	<u>\$ 146,422</u>	<u>\$ 5,033</u>

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

3. Kentucky Association of Counties Finance Corporation - Road Paving Lease

In October 2013, the fiscal court entered into a lease with the Kentucky Association of Counties Finance Corporation for the purpose of paving roads in Magoffin County. The total proceeds of the lease were \$3,000,000. The fiscal court is required to make monthly principal and interest payments at 2.75 percent. The final payment of the lease is due January 2024. The full faith, credit and revenue of the lessee was pledged for the prompt payment thereof. Whenever any event of default has occurred and is continuing, the lessor may, without any further demand or notice, take one or any combination of the following remedial steps: 1) enforce the pledge in an amount sufficient to pay the lease rental payments when and as due; 2) take legal title to, and sell or re-lease the project or any portion thereof; take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under this lease and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the lessee of the applicable covenants and agreements of the lessee under this lease and to recover damages for the breach thereof. The lessee will remain liable for all covenants and obligations under this lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lessor with respect to the enforcement of any of the remedies under this lease, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred. The principal balance of the agreement was \$871,667 as of June 30, 2021. Future lease principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2022	\$ 326,250	\$ 29,390
2023	341,250	18,845
2024	204,167	7,146
Totals	<u>\$ 871,667</u>	<u>\$ 55,381</u>

4. Kentucky Association of Counties Finance Corporation - Flood Relief Loan

On April 28, 2021, the fiscal court entered into a direct lending agreement with the Kentucky Association of Counties Finance Corporation for the purpose of obtaining funds to assist with flood relief efforts. The total proceeds of the agreement were \$400,000. The fiscal court is required to make monthly principal and interest payments at 3.74 percent commencing July 2022. The final payment of the lease is due June 2027. The full faith, credit and revenue of the borrower was pledged for the prompt payment thereof. Whenever any event of default has occurred and is continuing, the lender may, without any further demand or notice, take one or any combination of the following remedial steps: 1) enforce the pledge in an amount sufficient to pay the payments when and as due; 2) take legal title to, and sell or re-lease the project or any portion thereof; take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the project under the agreement and/or take whatever action at law or in equity may appear necessary or desirable to enforce performance by the borrower of the applicable covenants and agreements of the borrower under the agreement and to recover damages for the breach thereof. The borrower will remain liable for all covenants and obligations under the agreement, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the lender with respect to the enforcement of any of the remedies under the agreement, when a court of competent jurisdiction has finally adjudicated that an event of default has occurred.

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

Note 6. Long-term Debt (Continued)

A. Direct Borrowings (Continued)

4. Kentucky Association of Counties Finance Corporation - Flood Relief Loan (Continued)

The principal balance of the agreement was \$400,000 as of June 30, 2021. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 0	\$ 0
2023	74,140	13,698
2024	76,960	10,877
2025	79,889	7,948
2026	82,928	4,909
2027	86,083	1,754
Totals	<u>\$ 400,000</u>	<u>\$ 39,186</u>

B. Other Debt

1. First Mortgage Revenue Bonds, Series 1995

In June 1995, the fiscal court entered into an agreement with Farmers Home Administration to borrow \$140,000 at 5 percent interest for the completion of the Magoffin County Community Center Project. The fiscal court pays semiannual installments due on July 1 and January 1 each year in accordance with a schedule to complete the contract. The bonds were secured by a foreclosable real estate mortgage on the community center, a pledge of revenue from the community center, and a financing statement on moveable equipment and furnishings purchased by the proceeds. In the event of default, full payment of the bonds is due or the necessary legal action can be taken to enact the foreclosure provisions of the contract. The principal balance of the agreement was \$32,200 as of June 30, 2021. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 7,500	\$ 1,610
2023	7,900	1,235
2024	8,300	840
2025	8,500	425
Totals	<u>\$ 32,200</u>	<u>\$ 4,110</u>

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

Note 6. Long-term Debt (Continued)

B. Other Debt

2. Magoffin County Public Properties Corporation - Justice Center First Mortgage Refunding Revenue Bonds

In March 2012, the public properties corporation, a blended component unit of the fiscal court, issued \$5,070,000 in first mortgage refunding revenue bonds for the payment of debt for the construction of the justice center. Semiannual principal and interest payments at rates ranging from 1 percent to 3 percent are required in May and November each year beginning May 2012. The bonds are secured by a mortgage lien. In the event of default, by enforcement of the foreclosable mortgage lien on the project site and improvements granted by the mortgage, and in such event the trustee will take over possession, custody and control of the project and will operate or carry out decretal sale of same with due regard to state and federal law and the covenants contained in the lease for the benefit of the owners of the bonds.

The public properties corporation is acting as an agent for the Administrative Office of the Courts (AOC) in order to manage and maintain the Magoffin County Justice Center. The public properties corporation expects rentals for use of the Magoffin County Justice Center to be in the full amount of the principal and interest requirement of the bonds. Under the terms of a lease, AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The public properties corporation is in reliance upon the use allowance payment in order to meet debt service on the bonds. AOC, with the execution of the lease, expressed its intention to continue to pay the full allowance payment. However, the lease does not obligate AOC to do so. As of June 30, 2021, the principal balance on these bonds was \$1,090,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2022	\$ 535,000	\$ 31,363
2023	<u>555,000</u>	<u>16,650</u>
Totals	<u>\$ 1,090,000</u>	<u>\$ 48,013</u>

C. Changes In Long-term Debt

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

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings*	\$ 1,331,756	\$ 546,422	\$ 460,089	\$ 1,418,089	\$ 472,672
Revenue Bonds	<u>1,649,300</u>		<u>527,100</u>	<u>1,122,200</u>	<u>542,500</u>
Total Long-term Debt	<u>\$ 2,981,056</u>	<u>\$ 546,422</u>	<u>\$ 987,189</u>	<u>\$ 2,540,289</u>	<u>\$ 1,015,172</u>

*The beginning balance of direct borrowings was restated to reclassify operating leases included in the prior year audit as direct borrowings totaling \$144,373.

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

Note 6. Long-term Debt (Continued)

D. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2022	\$ 542,500	\$ 32,973	\$ 472,672	\$ 34,423
2023	562,900	17,885	415,390	32,543
2024	8,300	840	281,127	18,023
2025	8,500	425	79,889	7,948
2026			82,928	4,909
2027			86,083	1,754
Totals	<u>\$ 1,122,200</u>	<u>\$ 52,123</u>	<u>\$ 1,418,089</u>	<u>\$ 99,600</u>

Note 7. Employee Retirement System

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

The county's contribution for FY 2019 was \$330,017, FY 2020 was \$338,167, and FY 2021 was \$337,473.

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

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

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

Note 7. Employee Retirement System (Continued)

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

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

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

Ky. Ret. Sys. Annual Financial Report and Proportionate Share Audit Report

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

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

Note 8. Health Reimbursement Account/Flexible Spending Account

A. Health Reimbursement Account

The Magoffin County Fiscal Court allows employees to participate in a health reimbursement account for employees who waive health insurance coverage provided by the fiscal court. The fiscal court contributes the value of a single health insurance plan and employees are required to submit adequate documentation for qualified medical expenses to receive reimbursement. Employees forfeit any remaining balance of funds not utilized during the year. During fiscal year 2021, ten employees participated in the program, which is administered by the treasurer. The balance of the plan as of June 30, 2021 is \$387. This fund is included on the financial statement.

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

Note 8. Health Reimbursement Account/Flexible Spending Account (Continued)

B. Flexible Spending Account

The Magoffin County Fiscal Court allows employees to participate in a flexible spending account to provide employees an additional health benefit. Employees contribute pre-tax funds through payroll deduction and are required to submit adequate documentation for qualified medical expenses to receive reimbursement. During fiscal year 2021, one employee participated in the program, which is administered by the treasurer. As of June 30, 2021, the balance of the plan was \$16,777 and is reported as a custodial fund as indicated in Note 4.

Note 9. Insurance

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

Note 10. Contingencies

The fiscal court has entered into an agreement with a private corporation to grant the corporation the right and authority to transport, haul, and transfer coal from its coal mine sites upon and across a particular Magoffin County roadway. In exchange for the use of the roadway and to help defer any additional maintenance costs that may arise as a consequence of the expected heavier traffic flow from this anticipated transport of coal, the corporation agrees to pay into an escrow account maintained by the fiscal court an amount of 50 cents per ton of coal hauled not to exceed \$250,000 per year. From each 50 cents per ton of coal hauled across the roadway, the fiscal court shall receive five cents per ton to help defray any additional costs of upkeep, repair, or maintenance caused by heavier use of such coal transportation. The balance of any and all monies held in the account not otherwise used by the fiscal court to repair, maintain, or for upkeep of the roadway shall revert back to the corporation.

Note 11. Operating Leases

In September 2019, the Magoffin County Fiscal Court executed seven lease agreements to lease vehicles for county use. The payments are due monthly for 60 months to be concluded September 30, 2024. The county does not retain ownership or title to the vehicles at the end of the rental period. Lease payments scheduled for following years are:

Fiscal Year Ended June 30	Amount
2022	\$ 33,579
2023	33,579
2024	33,579
2025	<u>10,057</u>
Total Scheduled Lease Payments	<u>\$ 110,794</u>

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

Note 12. Payroll Revolving Account

The reconciled balance of the payroll revolving account as of June 30, 2021, was added to the general fund cash balance for financial reporting purposes.

Note 13. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to other governmental entities for the acquisition and construction of 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 Magoffin 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.

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MAGOFFIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

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MAGOFFIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,941,400	\$ 2,043,582	\$ 1,908,307	\$ (135,275)
Excess Fees		66,180	66,180	
Licenses and Permits	37,000	133,353	136,553	3,200
Intergovernmental	309,720	1,196,058	1,199,633	3,575
Miscellaneous	106,000	177,409	191,991	14,582
Interest	150	276	356	80
Total Receipts	2,394,270	3,616,858	3,503,020	(113,838)
DISBURSEMENTS				
General Government	962,801	1,576,217	1,497,798	78,419
Protection to Persons and Property	61,057	62,057	57,967	4,090
Recreation and Culture	185,060	210,605	193,492	17,113
Economic Development Special Projects		142,000	142,000	
Debt Service	18,060	121,708	110,074	11,634
Capital Projects		1,179	1,179	
Administration	779,706	1,429,342	720,467	708,875
Total Disbursements	2,006,684	3,543,108	2,722,977	820,131
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	387,586	73,750	780,043	706,293
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			3,556	3,556
Transfers To Other Funds	(459,985)	(459,985)	(539,383)	(79,398)
Total Other Adjustments to Cash (Uses)	(459,985)	(459,985)	(535,827)	(75,842)
Net Change in Fund Balance	(72,399)	(386,235)	244,216	630,451
Fund Balance - Beginning	72,399	534,946	534,948	2
Fund Balance - Ending	\$ 0	\$ 148,711	\$ 779,164	\$ 630,453

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

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,174,484	\$ 2,657,547	\$ 2,508,943	\$ (148,604)
Miscellaneous		128,075	131,283	3,208
Interest	300	300	201	(99)
Total Receipts	<u>2,174,784</u>	<u>2,785,922</u>	<u>2,640,427</u>	<u>(145,495)</u>
DISBURSEMENTS				
Roads	1,428,070	2,373,156	2,514,705	(141,549)
Debt Service	544,289	453,458	453,458	
Administration	417,599	535,690	429,189	106,501
Total Disbursements	<u>2,389,958</u>	<u>3,362,304</u>	<u>3,397,352</u>	<u>(35,048)</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(215,174)</u>	<u>(576,382)</u>	<u>(756,925)</u>	<u>(180,543)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			546,422	546,422
Transfers From Other Funds	67,100	67,100	67,100	
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)	<u>67,100</u>	<u>67,100</u>	<u>613,522</u>	<u>546,422</u>
Net Change in Fund Balance	(148,074)	(509,282)	(143,403)	365,879
Fund Balance - Beginning	<u>148,074</u>	<u>509,282</u>	<u>509,311</u>	<u>29</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 365,908</u>	<u>\$ 365,908</u>

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 82,807	\$ 82,808	\$ 80,601	\$ (2,207)
Charges for Services	4,500	4,505	301	(4,204)
Miscellaneous			3,208	3,208
Interest	10	10	9	(1)
Total Receipts	87,317	87,323	84,119	(3,204)
DISBURSEMENTS				
Protection to Persons and Property	483,470	497,502	371,309	126,193
Administration	43,826	44,838	25,435	19,403
Total Disbursements	527,296	542,340	396,744	145,596
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(439,979)	(455,017)	(312,625)	142,392
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	439,979	439,979	300,000	(139,979)
Total Other Adjustments to Cash (Uses)	439,979	439,979	300,000	(139,979)
Net Change in Fund Balance		(15,038)	(12,625)	2,413
Fund Balance - Beginning		15,038	15,038	
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,413	\$ 2,413

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 166,546	\$ 234,229	\$ 219,321	\$ (14,908)
Charges for Services	200	200	100	(100)
Miscellaneous	6,766	7,266	4,555	(2,711)
Interest	21	21	17	(4)
Total Receipts	173,533	241,716	223,993	(17,723)
DISBURSEMENTS				
General Government	26,869	67,315	55,784	11,531
Protection to Persons and Property	36,000	36,750	30,750	6,000
General Health and Sanitation	14,250	64,653	61,983	2,670
Social Services	37,700	53,640	49,698	3,942
Recreation and Culture	29,500	88,780	80,037	8,743
Administration	29,214	37,986	33,628	4,358
Total Disbursements	173,533	349,124	311,880	37,244
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(107,408)	(87,887)	19,521
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			100,458	100,458
Total Other Adjustments to Cash (Uses)			100,458	100,458
Net Change in Fund Balance		(107,408)	12,571	119,979
Fund Balance - Beginning		22,008	22,009	1
Fund Balance - Ending	\$ 0	\$ (85,400)	\$ 34,580	\$ 119,980

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

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 617,000	\$ 617,000	\$ 7,000	\$ (610,000)
Total Receipts	617,000	617,000	7,000	(610,000)
DISBURSEMENTS				
Capital Projects	617,000	617,000	7,000	610,000
Administration				
Total Disbursements	617,000	617,000	7,000	610,000
Net Change in Fund Balance				
Fund Balance - Beginning			500	500
Fund Balance - Ending	\$ 0	\$ 0	\$ 500	\$ 500

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

	FORESTRY FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,500	\$ 2,500	\$ 2,460	\$ (40)
Charges for Services		60	60	
Total Receipts	2,500	2,560	2,520	(40)
DISBURSEMENTS				
Protection to Persons and Property	3,000	3,111	2,957	154
Total Disbursements	3,000	3,111	2,957	154
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500)	(551)	(437)	114
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500	500	400	(100)
Total Other Adjustments to Cash (Uses)	500	500	400	(100)
Net Change in Fund Balance		(51)	(37)	14
Fund Balance - Beginning		51	51	
Fund Balance - Ending	\$ 0	\$ 0	\$ 14	\$ 14

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

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 75,000	\$ 75,000	\$ 79,165	\$ 4,165
Intergovernmental	28,499	148,392	152,169	3,777
Miscellaneous	2,000	8,276	9,851	1,575
Interest	22	98	119	21
Total Receipts	105,521	231,766	241,304	9,538
DISBURSEMENTS				
General Health and Sanitation	316,989	455,254	204,618	250,636
Administration	24,213	28,153	26,999	1,154
Total Disbursements	341,202	483,407	231,617	251,790
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(235,681)	(251,641)	9,687	261,328
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	10,441	10,441		(10,441)
Transfers To Other Funds			(8,890)	(8,890)
Total Other Adjustments to Cash (Uses)	10,441	10,441	(8,890)	(19,331)
Net Change in Fund Balance	(225,240)	(241,200)	797	241,997
Fund Balance - Beginning	225,240	241,200	241,201	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 241,998	\$ 241,998

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

	SINKING FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
DISBURSEMENTS				
Debt Service	\$ 9,065	\$ 9,065	\$ 9,065	\$
Total Disbursements	9,065	9,065	9,065	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(9,065)	(9,065)	(9,065)	
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	9,065	9,065	9,870	805
Total Other Adjustments to Cash (Uses)	9,065	9,065	9,870	805
Net Change in Fund Balance			805	805
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 805	\$ 805

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

HEALTH REIMBURSEMENT ACCOUNT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 36,000	\$ 36,000	\$ 7,581	\$ (28,419)
Total Receipts	36,000	36,000	7,581	(28,419)
DISBURSEMENTS				
Administration	36,000	39,117	10,311	28,806
Total Disbursements	36,000	39,117	10,311	28,806
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(3,117)	(2,730)	387
Net Change in Fund Balance		(3,117)	(2,730)	387
Fund Balance - Beginning		3,117	3,117	
Fund Balance - Ending	\$ 0	\$ 0	\$ 387	\$ 387

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

ALCOHOL TAX FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 20,000	\$ 20,000	\$ 34,957	\$ 14,957
Licenses and Permits	3,500	3,500	1,568	(1,932)
Interest				
Total Receipts	23,500	23,500	36,525	13,025
DISBURSEMENTS				
General Government	23,500	39,494	26,556	12,938
Administration		2,846	2,846	
Total Disbursements	23,500	42,340	29,402	12,938
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(18,840)	7,123	25,963
Net Change in Fund Balance		(18,840)	7,123	25,963
Fund Balance - Beginning		18,840	18,840	
Fund Balance - Ending	\$ 0	\$ 0	\$ 25,963	\$ 25,963

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

RIGHT OF WAY USE FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Interest	\$	\$	\$ 9	\$ 9
Total Receipts			9	9
DISBURSEMENTS				
Roads	5,000	5,000		5,000
Total Disbursements	5,000	5,000		5,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(5,000)	(5,000)	9	5,009
Net Change in Fund Balance	(5,000)	(5,000)	9	5,009
Fund Balance - Beginning	5,000	5,000	17,892	12,892
Fund Balance - Ending	\$ 0	\$ 0	\$ 17,901	\$ 17,901

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

ESCROW FOR CLEAR RIVER FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
Other Adjustments to Cash (Uses)			
Transfers To Other Funds	\$ (67,100)	\$ (67,100)	\$ (67,100)
Total Other Adjustments to Cash (Uses)	(67,100)	(67,100)	(67,100)
Net Change in Fund Balance	(67,100)	(67,100)	(67,100)
Fund Balance - Beginning	67,100	67,100	67,100
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

	911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 205,500	\$ 205,500	\$ 202,944	\$ (2,556)
Intergovernmental	80,062	407,235	407,235	
Miscellaneous		2,463	3,067	604
Interest	50	50	36	(14)
Total Receipts	285,612	615,248	613,282	(1,966)
DISBURSEMENTS				
Protection to Persons and Property	177,200	419,434	418,191	1,243
Administration	108,412	113,824	113,721	103
Total Disbursements	285,612	842,092	840,716	1,376
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(226,844)	(227,434)	(590)
Other Adjustments to Cash (Uses)				
Borrowed Money		146,000	146,000	
Transfers From Other Funds			133,989	133,989
Total Other Adjustments to Cash (Uses)		146,000	279,989	133,989
Net Change in Fund Balance		(80,844)	52,555	133,399
Fund Balance - Beginning		17,533	17,533	
Fund Balance - Ending	\$ 0	\$ (63,311)	\$ 70,088	\$ 133,399

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

RESERVE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
DISBURSEMENTS			
Debt Service	\$ 221	\$ 221	\$ 221
Total Disbursements	221	221	221
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(221)	(221)	221
Net Change in Fund Balance	(221)	(221)	221
Fund Balance - Beginning	221	221	1
Fund Balance - Ending	\$ 0	\$ 0	\$ 222

MAGOFFIN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2021

Note 1. Budgetary Information

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

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

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

Note 2. Reconciliation of the General Fund

Other Sources (Uses) of Cash-Budgetary Basis	\$ (535,827)
To adjust for Change in Revolving Payroll Account Balance	<u>(68,917)</u>
Total Other Sources (Uses) of Cash-Regulatory Basis	<u><u>\$ (604,744)</u></u>
Fund Balance Beginning - Budgetary Basis	\$ 534,948
To adjust for Payroll Revolving Account Balance	<u>74,898</u>
Total Fund Balance - Beginning - Regulatory Basis	<u><u>\$ 609,846</u></u>

Note 3. Excess of Disbursements Over Appropriations

The road line item in the road fund exceeded appropriations by \$141,549 and the overall road fund exceeded appropriations by \$35,048.

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MAGOFFIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

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MAGOFFIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity's Identifying Number	Provided to Subrecipient	Total Federal Expenditures
<u>U. S. Department of Treasury</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
COVID-19 - Coronavirus Relief Fund	21.019	PON21122000004395	\$	\$ 467,265
Total U.S. Department of Treasury				467,265
<u>U. S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	PON21122100000150, PON21122100001412	\$	\$ 143,813
<i>Passed-Through Kentucky Emergency Management</i>				
Disaster Grants - Public Assistance (Emergency Management FEMA)	97.036	FEMA-DR-4428-KY		40,067
Disaster Grants - Public Assistance (Emergency Management FEMA)	97.036	FEMA-DR-4540-KY		45,877
Disaster Grants - Public Assistance (Emergency Management FEMA)	97.036	FEMA-DR-4595-KY		41,803
Emergency Management Performance Grant (EMPG)	97.042	N/A		13,592
Hazard Mitigation Grant (HMGP - Recovery and Mitigation)	97.039	DR-4239-0002		62,531
Total U.S. Department of Homeland Security			\$	\$ 347,683
<u>U. S. Department of Interior - National Park Service</u>				
<i>Passed-Through Kentucky Department for Local Government</i>				
Outdoor Recreation Acquisition, Development and Planning (Land and Water Conservation Fund)	15.916	LWCF #21-1544	\$	\$ 87,341
Total U.S. Department of Interior - National Park Service			\$	\$ 87,341
<u>U. S. Department of Transportation</u>				
<i>Highway Planning and Construction Cluster</i>				
<i>Passed-Through Kentucky Transportation Cabinet</i>				
Highway Planning and Construction	20.205	4000-116	\$	\$ 219,556
Total U.S. Department of Transportation				\$ 219,556
Total Expenditures of Federal Awards			\$ 0	\$ 1,121,845

The accompanying notes are an integral part of this schedule.

MAGOFFIN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2021

Note 1. Basis of Presentation

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

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

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

MAGOFFIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

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MAGOFFIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,479,003	\$	\$	\$ 1,479,003
Buildings	12,632,903	299,251		12,932,154
Vehicles & Equipment	1,360,886	418,936		1,779,822
Infrastructure	8,669,048	1,053,541		9,722,589
 Total Capital Assets	 <u>\$ 24,141,840</u>	 <u>\$ 1,771,728</u>	 <u>\$ 0</u>	 <u>\$ 25,913,568</u>

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

June 30, 2021

Note 1. Capital Assets

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land	\$ 20,000	
Buildings	\$ 20,000	10-50
Vehicles & Equipment	\$ 20,000	5-25
Infrastructure	\$ 20,000	20

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Matthew Wireman, Magoffin County Judge/Executive
Members of the Magoffin County Fiscal Court

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Magoffin County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Magoffin County Fiscal Court's financial statement and have issued our report thereon dated July 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Magoffin 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 Magoffin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Magoffin County Fiscal Court's internal control.

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

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



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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Magoffin County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002.

View of Responsible Official and Planned Corrective Action

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

Purpose of this Report

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

July 6, 2023

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

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Matthew Wireman, Magoffin County Judge/Executive
Members of the Magoffin County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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



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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

July 6, 2023

MAGOFFIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

Section I: Summary of Auditor's Results

Financial Statement

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Identification of major programs:

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

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

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

Section II: Financial Statement Findings

2021-001 The Magoffin County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was
 Materially Misstated

The fiscal court's Schedule of Expenditures of Federal Awards (SEFA) was materially misstated. The treasurer's original SEFA total was \$839,758. However, the Highway Planning and Construction grant in the amount of \$219,556 was not included on the original SEFA. Likewise, the HMGP Recovery and Mitigation Grant in the amount of \$62,531 was not included on the original SEFA. Therefore, the total amount of federal awards expended during the fiscal year was \$1,121,845.

The misstatement is the result of a lack of knowledge on the correct way to report expenditures from these federal grants. The fiscal court failed to implement internal control procedures to ensure the SEFA was accurate and complete.

Failure to include all required federal grant expenditures on the SEFA increases the risk that a required separate audit of federal funds will not occur when federal expenditures exceed \$750,000 as required by federal guidelines. Not properly reporting federal funds increases the possibility of undetected errors or misappropriation and could impact future federal awards. Management has reviewed and approved the required adjustments so that the SEFA reported in the audit report is complete and accurate.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. Pursuant to KRS 68.210, the state local finance officer has prescribed minimum accounting and reporting standards in the Department for Local Government's *County Budget Preparation and State Local Finance Officer Policy Manual*, which on page 54 states that a Schedule of Expenditures of Federal Awards is required to be maintained under the uniform system of accounts.

Regulations regarding federal awards are outlined in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), which states in 2 C.F.R. §200.510(b): "Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency...
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings Number information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program
- (5) For loan or loan guarantee programs described in §200.502(b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule..."

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

Section II: Financial Statement Findings (Continued)

2021-001 The Magoffin County Fiscal Court's Schedule Of Expenditures Of Federal Awards (SEFA) Was
 Materially Misstated (Continued)

Guidance on what constitutes a federal award is included in §200.502: "(a) Determining Federal awards expended. The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force."

We recommend the fiscal court implement review and oversight procedures to ensure that all federal awards are included on the SEFA and that the SEFA is materially complete, accurate, and is supported by and reconciled to underlying accounting records.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The Highway Safety and Planning And Construction Grant was a pass-through federal grant and at the end of FY 2021 it was not recognized by the fiscal court's finance staff as being required on the SEFA. The administration of the activities, selection of the contractors, and handling of billing all went through the Kentucky Department of Transportation (KYDOT). The KYDOT would then forward invoices received by the KYDOT to the fiscal court, who was directed to hold said invoices pending the state finance cabinet forwarding funds to make payment. Once funds were received the fiscal court then issued checks to the vendors. All receipt and disbursement transactions were recorded properly. During the exit conference the APA directed that it should have been reported, therefore the fiscal court's reports have been amended for FY 21 and subsequent years.

2021-002 Long Term Liabilities Reported On The Fourth Quarter Financial Statement Were Materially
 Misstated

The fiscal court did not accurately report long term liabilities on the Fourth Quarter Financial Report. The ending balance that should have been reported for principal and interest outstanding as of June 30, 2021 was \$2,651,083 and \$184,725, respectively. The amount reported for principal outstanding was \$2,251,083 and the amount reported for interest outstanding was \$145,541, resulting in an understatement of long-term liabilities totaling \$439,184. This misstatement is material in relation to the financial statements.

Due to an error and inadequate review and oversight procedures to address such errors, the fiscal court failed to include one new long-term liability executed in April 2021. According to the finance officer, the debt was not reported in the long term liabilities section since no payments were due until the next fiscal year. Improper reporting of long-term liabilities can impact the fiscal court's ability to make effective management decisions.

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

Section II: Financial Statement Findings (Continued)

2021-002 Long Term Liabilities Reported On The Fourth Quarter Financial Statement Were Materially Misstated

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter. Page 75 of the manual outlines the requirements for reporting long-term liabilities.

We recommend the fiscal court implement controls to ensure the amounts reported on the Fourth Quarter Financial Statement for long-term liabilities are complete and accurate.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The fiscal court received a flood relief loan from the Kentucky Association of Counties (KACo) at the end of FY 2021. The loan was not due to have payments made until FY 2022. Being on a "cash" basis rather than "accrual" basis of accounting the finance staff did not list the loan on the FY 2021 Long Term Liabilities report. It was reported in the FY 2022 report. All receipt and disbursement transactions were recorded properly. During the exit conference the APA directed that it should have been reported in FY 2021, therefore the fiscal court's reports have been amended for FY 21 and subsequent years.

Section III: Federal Award Findings And Questioned Costs

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

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

MAGOFFIN COUNTY FISCAL COURT

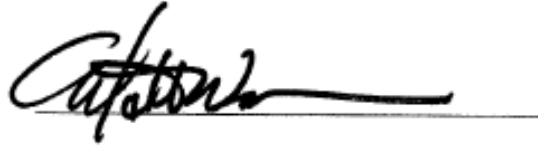
For The Year Ended June 30, 2021

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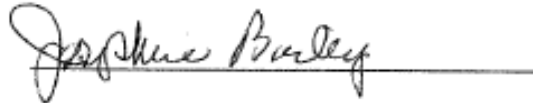
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
MAGOFFIN COUNTY FISCAL COURT

For The Year Ended June 30, 2021

The Magoffin 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.

A handwritten signature in black ink, appearing to read "C. A. Brown", is written over a horizontal line.

County Judge/Executive

A handwritten signature in black ink, appearing to read "Josephine Bailey", is written over a horizontal line.

County Treasurer