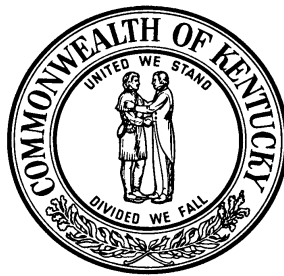


**REPORT OF THE AUDIT OF THE
MARTIN COUNTY
FISCAL COURT**

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



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

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



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 Lon Lafferty, Martin County Judge/Executive
The Honorable Colby Kirk, Former Martin County Judge/Executive
Members of the Martin County Fiscal Court

The enclosed report prepared by Patrick & Associates, LLC, presents the financial statement of Martin County, Kentucky, for the year ended June 30, 2021.

We engaged Patrick & Associates, LLC to perform the audit of this financial statement. We worked closely with the firm during our report review process; Patrick & Associates, LLC evaluated the Martin County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



THIS PAGE LEFT BLANK INTENTIONALLY

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
MARTIN COUNTY OFFICIALS.....	4
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	6
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	38
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
SCHEDULE OF CAPITAL ASSETS.....	45
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	46
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	49
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE.....	53
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	57
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Lon Lafferty, Martin County Judge/Executive

The Honorable Colby Kirk, Former Martin County Judge/Executive

Members of the Martin 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 Martin County Fiscal Court, for the year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Martin County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Lon Lafferty, Martin County Judge/Executive
 The Honorable Colby Kirk, Former Martin County Judge/Executive
 Members of the Martin County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Martin 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 Martin 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 Martin 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 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 Martin 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
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Lon Lafferty, Martin County Judge/Executive
The Honorable Colby Kirk, Former Martin County Judge/Executive
Members of the Martin County Fiscal Court

Other Matters (Continued)

Supplementary and Other Information

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 September 27, 2022, on our consideration of the Martin 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 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 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 Martin 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 finding:

- 2021-001 The Martin County Fiscal Court Failed To Maintain Proper Controls Over The Procurement And Bidding Processes
- 2021-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes
- 2021-003 The Martin County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget
- 2021-004 The Martin County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards
- 2021-005 The Martin County Fiscal Court Submitted Ineligible Expenses For Federal Reimbursement From The Coronavirus Relief Fund

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

September 27, 2022

MARTIN COUNTY OFFICIALS
For The Year Ended June 30, 2021

Fiscal Court Members:

Colby Kirk (Beginning January 10, 2022 to October 28, 2022)	County Judge/Executive
Victor Slone (Beginning March 27, 2021 through January 9, 2022)	County Judge/Executive
William Davis (July 1, 2020 through March 26, 2021)	County Judge/Executive
Jared Goforth	Magistrate
Joseph Hunt Jr.	Magistrate
Roger D. Preece	Magistrate
Victor Slone (through March 26, 2021)	Magistrate
Mark Blackburn (Beginning April 16, 2021)	Magistrate
Derrick Stepp	Magistrate

Other Elected Officials:

Melissa F. Phelps	County Attorney
Boone Mahon	Jailer
Karen Susie Skyles	County Clerk
Denise M. Guaze	Circuit Court Clerk
John Kirk	Sheriff
Bobby Hale	Property Valuation Administrator
Christopher Todd	Coroner

Appointed Personnel:

Susan Hale	County Treasurer
------------	------------------

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

For The Year Ended June 30, 2021

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

For The Year Ended June 30, 2021

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 476,963	\$	\$
Licenses and Permits			
Intergovernmental	590,675	1,056,369	74,911
Charges for Services			
Miscellaneous	381,979	1,534	
Interest	113	202	13
Total Receipts	<u>1,449,730</u>	<u>1,058,105</u>	<u>74,924</u>
DISBURSEMENTS			
General Government	1,238,939	23,585	
Protection to Persons and Property	259,303	470	436,072
General Health and Sanitation			
Social Services	1,616		
Recreation and Culture			
Roads		1,172,694	
Debt Service	18,934	49,098	
Administration	534,865	188,399	59,386
Total Disbursements	<u>2,053,657</u>	<u>1,434,246</u>	<u>495,458</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(603,927)</u>	<u>(376,141)</u>	<u>(420,534)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds		500,000	
Transfers From Other Funds	673,825	272,284	485,815
Transfers To Other Funds	(25,073)	(175,000)	
Total Other Adjustments to Cash (Uses)	<u>648,752</u>	<u>597,284</u>	<u>485,815</u>
Net Change in Fund Balance	44,825	221,143	65,281
Fund Balance - Beginning	140,817	302,198	25,901
Fund Balance - Ending	<u>\$ 185,642</u>	<u>\$ 523,341</u>	<u>\$ 91,182</u>
Composition of Fund Balance			
Bank Balance	\$ 368,974	\$ 701,323	\$ 111,857
Less: Outstanding Checks	(183,332)	(177,982)	(20,675)
Fund Balance - Ending	<u>\$ 185,642</u>	<u>\$ 523,341</u>	<u>\$ 91,182</u>

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

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

Budgeted Funds						
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Fire Protection Fund	Solid Waste Fund	Occupational Tax Fund	Local Government Economic Development Fund
\$	\$	\$	\$	\$	\$ 1,382,121	\$
161,868	834,689	1,556,437		32,986 22,895		
		66,511		25,772		
11	1					
161,879	834,690	1,622,948		81,653	1,382,121	
26,544					31,788	
	9,995	58,966	1,704		20,000	
35,636	34,918	46,505		82,123	35,446	
					50,000	
					162,561	
	666,212					
11,477				6,949	54,312	
73,657	711,125	105,471	1,704	89,072	354,107	
88,222	123,565	1,517,477	(1,704)	(7,419)	1,028,014	
			1,704	10,772	41,799	
(71,704)	(10,772)	(1,517,836)			(908,000)	(6,611)
(71,704)	(10,772)	(1,517,836)	1,704	10,772	(866,201)	(6,611)
16,518	112,793	(359)		3,353	161,813	(6,611)
25,872	114,393	65,490		68,941	388,584	6,611
\$ 42,390	\$ 227,186	\$ 65,131	\$ 0	\$ 72,294	\$ 550,397	\$ 0
\$ 42,797	\$ 227,186	\$ 65,131	\$	\$ 74,163	\$ 581,747	\$
(407)				(1,869)	(31,350)	
\$ 42,390	\$ 227,186	\$ 65,131	\$ 0	\$ 72,294	\$ 550,397	\$ 0

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

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

	Budgeted Funds		
	HUD Fund	Emergency Dispatch 911 Fund	Federal American Rescue Plan Act Fund
RECEIPTS			
Taxes	\$	\$	\$
Licenses and Permits			
Intergovernmental		152743	
Charges for Services		248099	
Miscellaneous	9,482		
Interest	61	2500	2
Total Receipts	<u>9,543</u>	<u>403,342</u>	<u>2</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property		272,739	
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Debt Service			
Administration		102,375	
Total Disbursements	<u></u>	<u>375,114</u>	<u></u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>9,543</u>	<u>28,228</u>	<u>2</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			
Transfers From Other Funds		180,548	1,087,249
Transfers To Other Funds		(39,000)	
Total Other Adjustments to Cash (Uses)	<u></u>	<u>141,548</u>	<u>1,087,249</u>
Net Change in Fund Balance	9,543	169,776	1,087,251
Fund Balance - Beginning	118,591	78,151	
Fund Balance - Ending	<u>\$ 128,134</u>	<u>\$ 247,927</u>	<u>\$ 1,087,251</u>
Composition of Fund Balance			
Bank Balance	\$ 128,134	\$ 252,676	\$ 1,087,251
Less: Outstanding Checks		(4,749)	
Ending Fund Balance	<u>\$ 128,134</u>	<u>\$ 247,927</u>	<u>\$ 1,087,251</u>

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

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

Unbudgeted Funds		
Volunteer Fire Department Fund	Public Properties Corporation Bond Fund	Total Funds
\$	\$	\$ 1,859,084
		32,986
		4,450,587
		248,099
		485,278
		2,903
		7,078,937
		1,320,856
		1,059,249
		234,628
		51,616
		162,561
		1,172,694
		734,244
		957,763
		5,693,611
		1,385,326
		500,000
		2,753,996
		(2,753,996)
		500,000
		1,885,326
15	25	1,335,589
\$ 15	\$ 25	\$ 3,220,915
\$ 15	\$ 25	\$ 3,641,279
		(420,364)
\$ 15	\$ 25	\$ 3,220,915

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	11
NOTE 2.	DEPOSITS	14
NOTE 3.	TRANSFERS.....	14
NOTE 4.	RECEIVABLES	15
NOTE 5.	LONG-TERM DEBT	15
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	18
NOTE 7.	DEFERRED COMPENSATION.....	21
NOTE 8.	INSURANCE.....	21
NOTE 9.	AGENCY TRUST FUNDS	21
NOTE 10.	RELATED PARTY TRANSACTION.....	22
NOTE 11.	INTERFUND RECEIVABLE AND LIABILITY.....	22

**MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Martin County includes all budgeted and unbudgeted funds under the control of the Martin 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.

The Martin County Economic Development Authority would have been included in the reporting entity under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, they are no longer required components of the reporting entity.

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

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

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

State Grant Fund - The primary purpose of this fund is to account for state grant expenses of the county. The primary source of receipts for this fund is from the state.

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

Fire Protection Fund - The primary purpose of this fund is to account for taxes collected for protection of forest lands.

Solid Waste Fund - The primary purpose of this fund is to account for fees collected for solid waste haulers providing services to customers in the county. The primary source of receipts for this fund is from the collection of solid waste license and permits.

Occupational Tax Fund - The primary purpose of this fund is to account for additional expenses of the county. The primary source of receipts for this fund is from the collection of occupational taxes.

Local Government Economic Development Fund - The primary purpose of this fund is to account for state grants received for economic development and related expenses. The primary source of receipts for this fund is state grants.

HUD Fund - The primary purpose of this fund is to account for a federal housing program in Martin County. The county received federal funds and payments from citizens that participated in the program.

Emergency Dispatch 911 Fund - The primary purpose of this fund is to account for the receipts and expenses of the 911 system. The primary source of receipts for this fund is from the collection of 911 fees.

Federal American Rescue Plan Act Fund - The primary purpose of this fund is to account for the American Rescue Plan Act grant receipts and disbursements. The primary source of receipts for this fund is from the American Rescue Plan Act grant.

Unbudgeted Funds

The fiscal court reports the following unbudgeted fund:

Public Properties Corporation Bond 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.

Volunteer Fire Department Fund - The primary purpose of this fund is to account for the receipts and expenses of the Warfield Fire Department. The primary source of receipts for this fund is from fire services fees.

MARTIN 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 require the volunteer fire department fund to be budgeted, however this fund was not budgeted.

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

E. Martin County Elected Officials

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

MARTIN 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	Road Fund	Local Government Economic Assistance Fund	State Grant Fund	Occupational Tax Fund	Federal Grant Fund	Local Government Economic Development Fund	Emergency Dispatch 911 Fund	Total Transfers In
General Fund	\$	\$175,000	\$	\$	\$ 459,000	\$ 33,214	\$ 6,611	\$	\$ 673,825
Road Fund	4,000					268,284			272,284
Jail Fund	5,815		70,000		410,000				485,815
Occupational Tax Fund	2,799							39,000	41,799
Solid Waste Fund				10,772					10,772
Fire Protection Fund			1,704						1,704
Emergency Dispatch 911 Fund	12,459				39,000	129,089			180,548
Federal ARPA Fund						1,087,249			1,087,249
Total Transfers Out	<u>\$25,073</u>	<u>\$175,000</u>	<u>\$ 71,704</u>	<u>\$ 10,772</u>	<u>\$ 908,000</u>	<u>\$1,517,836</u>	<u>\$ 6,611</u>	<u>\$ 39,000</u>	<u>\$ 2,753,996</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.

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

Note 4. Receivable - Martin County Water District

In July 2005, the Martin County Fiscal Court issued financing obligations of \$200,000 to the Martin County Water District. The financing proceeds were paid directly to the water district. The water district makes the lease payments directly to the trustee of the lease to pay the principal and interest. The receivable reflects the principal amount due from the Martin County Water District of \$56,222 outstanding as of June 30, 2021. (See Note 5.A.1.)

Note 5. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Martin County Water District - Financing Obligation

In July 2005, the Martin County Fiscal Court entered into a lease agreement with Kentucky Association of counties (KACO) and then issued financing obligations of \$200,000 to the Martin County Water District. (See Note 4). The financing proceeds were paid directly to the water company. The water company makes the lease payments directly to the trustee of the lease to pay principal and interest. The note requires an annual interest and principal payment due March 20th of each year with a final payment due in March 2025.

The lease contains provisions that in an event of default the lessor may: (a) terminate the lease term and give notice to the lessee to vacate or surrender the project within 60 days from the date of such notice (b) sell or re-lease the project or any portion thereof (c) recover from the fiscal court the lease rental payments which would otherwise have been payable during the lease, occupy or retain possession of the project (d) take whatever action at law or in equity may appear necessary or desirable to enforce its right in and to the project under this lease (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); 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 agreement of lessee under this lease (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof. As of June 30, 2021, the principal balance amount outstanding corresponds to the receivable due to the county (as outlined in Note 4). Principal of \$15,000 and interest of \$3,934 were paid as of June 30, 2021. Payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 15,000	\$ 3,109
2023	15,000	2,283
2024	15,000	1,459
2025	<u>11,222</u>	<u>630</u>
Totals	<u>\$ 56,222</u>	<u>\$ 7,481</u>

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

Note 5. Long Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. Excavator - Financing Obligation

On August 6, 2019, the Martin County Fiscal Court entered into a lease agreement to finance the purchase of an excavator. In the event of default, CAT Financial will have all rights and remedies available under applicable law. In addition, they may declare all lease payments due or to become due during the fiscal year in which the event of default occurs to be immediately due and payable and/or may repossess the units by giving written notice to deliver the units to CAT Financial in the manner provided, or in the event of failure to do so within (10) days after receipt of such notice, and subject to all applicable laws, CAT Financial may enter upon the premises and take possession of the units. The principal amount of the lease was \$221,350. The agreement requires variable monthly payments for five years to be paid in full August 6, 2025. As of June 30, 2021, the principal amount outstanding was \$145,373. Payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 43,865	\$ 5,233
2023	45,720	3,378
2024	47,654	1,444
2025	<u>8,134</u>	<u>49</u>
Totals	<u>\$ 145,373</u>	<u>\$ 10,104</u>

3. Lease Agreement - Government Center Building and Refinancing of KACO Leases (Revenue Bonds 2014A)

In March 2014, the Martin County Fiscal Court entered into a lease agreement with Kentucky Association of Counties (KACO) for the construction of their new government center building and the refinancing of existing KACO leases. The principal amount of the lease was \$10,000,000. The agreement requires variable monthly payments for 24 years to be paid in full December 20, 2038. In case of default, the lessor may (a) by appropriate court action, enforce the pledge set forth in this lease so that during the remaining lease term there is levied on all the taxable property of the lessee, in addition to all other taxes, without limitation as to the rate or amount, a direct tax annually in an amount sufficient to the pay the lease rental payments when and as due, (b) take legal title to, and sell or re-lease the project or any portion thereof, or (c) 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 (including, without limitation, the right to possession of the project and the right to sell or re-lease or otherwise dispose of the project in accordance with applicable law); 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 (subject, however, to the limitations thereon contained in this lease) and to recover damages for the breach thereof. As of June 30, 2021, the principal amount outstanding was \$8,087,500. Payments for the remaining years are as follows:

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

Note 5. Long Term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

3. Lease Agreement - Government Center Building and Refinancing of KACO Leases (Revenue Bonds 2014A) (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$ 330,000	\$ 315,144
2023	340,000	305,244
2024	352,500	295,044
2025	365,000	284,469
2026	377,500	271,669
2027-2031	2,140,000	1,118,845
2032-2036	2,640,000	651,082
2037-2039	<u>1,542,500</u>	<u>115,809</u>
Totals	<u>\$ 8,087,500</u>	<u>\$ 3,357,306</u>

4. Flood Relief

On May 21, 2021, the Martin County Fiscal Court entered into a lease agreement with Kentucky Association of Counties (KACO) for funding assistance due flooding in the county. The principal amount of the lease was \$500,000. The agreement requires fixed monthly payments beginning in July 2022, at a fixed interest rate of 3.74%. If the principal is paid in full prior to the first payment being due no interest will be incurred. In the case of default, the lessor may take legal title to and sell or re-lease the project or any portion thereof, or recover from the lessee lease payment which would otherwise have been payable hereunder during any period in which the lessee continues to use, occupy or retain possession of the project assets. As of June 30, 2021, the principal amount outstanding was \$500,000. Payments for the remaining years are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2022	\$	\$
2023	92,674	17,122
2024	96,201	13,596
2025	99,861	9,936
2026	103,660	6,136
2027	<u>107,604</u>	<u>9,192</u>
Totals	<u>\$ 500,000</u>	<u>\$ 55,982</u>

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

Note 5. Long-term Debt (Continued)

B. Changes In Long-term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 8,663,378	\$ 500,000	\$ 374,283	\$ 8,789,095	\$ 388,865
Total Long-term Debt	<u>\$ 8,663,378</u>	<u>\$ 500,000</u>	<u>\$ 374,283</u>	<u>\$ 8,789,095</u>	<u>\$ 388,865</u>

C. Aggregate Debt Schedule

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

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2022	\$ 388,865	\$ 323,486
2023	493,394	328,027
2024	511,355	311,543
2025	484,217	295,084
2026	481,160	277,805
2027-2031	2,247,604	1,128,037
2032-2036	2,640,000	651,082
2027-2039	<u>1,542,500</u>	<u>115,809</u>
Totals	<u>\$ 8,789,095</u>	<u>\$ 3,430,873</u>

Note 6. Employee Retirement System

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

The county's contribution for FY 2019 was \$252,894, FY 2020 was \$299,416, and FY 2021 was \$321,821.

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

Note 6. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

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

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

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

Note 6. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

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

Note 6. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pension 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 7. Deferred Compensation

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

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

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

Note 8. Insurance

For the fiscal year ended June 30, 2021, the Martin 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 9. Agency Trust Funds

Agency trust funds report only those resources held on a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Non Structural Flood Control - The primary purpose of this fund is to account for the Martin County Fiscal Court writing checks for the city of Inez for a project with the U.S. Army Corps of Engineers and the state/county/city for flood control. Since this fund is a fiduciary fund in nature, it is not represented in the financial statement. The balance in the non-structural flood control fund as of June 30, 2021, was \$113,326.

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

Note 9. Agency Trust Funds (Continued)

Local Emergency Planning Committee - The primary purpose of this fund is to provide emergency planning to protect public health and the environment. This account is for the activity of Local Emergency Planning Committee. Since this fund is a fiduciary fund in nature, it is not represented in the financial statement. The balance in the local emergency planning committee fund as of June 30, 2021, was \$2,145.

Note 10. Related Party Transaction

For fiscal year ending June 30, 2021, the fiscal court did business with a cleaning service that employs one of the magistrates. The fiscal court spent \$61,019 to this cleaning service for this fiscal year.

Note 11. Interfund Receivable and Liability

As of July 10, 2018, the Martin County Fiscal Court transferred \$75,000 from the HUD fund which is a restricted fund to the sheriff's office. Also, on June 30, 2018, \$58,000 was transferred from the HUD fund to the federal fund. The table below reflects fund balances after accounting for the receivable and liability that's not included on the financial statements prepared in accordance with the regulatory basis of accounting. Subsequently, transfers were performed to resolve this situation on December 8, 2021 and June 21, 2022 of \$75,000 and \$58,000, respectively.

	Cash Balance	Interfund Transfers	Ending Cash Balance
General Fund	185,642	(58,000)	127,642
HUD Fund	128,134	133,000	261,134
Federal Fund	65,131	(75,000)	(9,869)

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN 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	\$ 516,983	\$ 516,983	\$ 476,963	\$ (40,020)
In Lieu Tax Payments	5	5		(5)
Intergovernmental	175,919	582,566	590,675	8,109
Miscellaneous	385,581	417,206	381,979	(35,227)
Interest	25	25	113	88
Total Receipts	<u>1,078,513</u>	<u>1,516,785</u>	<u>1,449,730</u>	<u>(67,055)</u>
DISBURSEMENTS				
General Government	1,274,714	1,392,512	1,238,939	153,573
Protection to Persons and Property	81,088	487,369	259,303	228,066
General Health and Sanitation	200	200		200
Social Services	5,950	5,950	1,616	4,334
Debt Service			18,934	(18,934)
Administration	665,466	681,079	534,865	146,214
Total Disbursements	<u>2,027,418</u>	<u>2,567,110</u>	<u>2,053,657</u>	<u>513,453</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(948,905)</u>	<u>(1,050,325)</u>	<u>(603,927)</u>	<u>446,398</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	840,905	840,905	673,825	(167,080)
Transfers To Other Funds			(25,073)	(25,073)
Total Other Adjustments to Cash (Uses)	<u>840,905</u>	<u>840,905</u>	<u>648,752</u>	<u>(192,153)</u>
Net Change in Fund Balance	(108,000)	(209,420)	44,825	254,245
Fund Balance Beginning	<u>108,000</u>	<u>108,000</u>	<u>140,817</u>	<u>32,817</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (101,420)</u>	<u>\$ 185,642</u>	<u>\$ 287,062</u>

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

ROAD 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				
Intergovernmental	\$ 1,615,269	\$ 1,663,769	\$ 1,056,369	\$ (607,400)
Miscellaneous			1,534	1,534
Interest	150	150	202	52
Total Receipts	<u>1,615,419</u>	<u>1,663,919</u>	<u>1,058,105</u>	<u>(605,814)</u>
DISBURSEMENTS				
General Government	24,000	24,000	23,585	415
Protection to Persons and Property	470	470	470	
Roads	1,461,496	1,511,791	1,172,694	339,097
Debt Service	49,098	49,098	49,098	
Administration	229,193	231,398	188,399	42,999
Total Disbursements	<u>1,764,257</u>	<u>1,816,757</u>	<u>1,434,246</u>	<u>382,511</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(148,838)</u>	<u>(152,838)</u>	<u>(376,141)</u>	<u>(223,303)</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds			500,000	(500,000)
Transfers From Other Funds	154,708	154,708	272,284	117,576
Transfers To Other Funds	(233,870)	(233,870)	(175,000)	58,870
Total Other Adjustments to Cash (Uses)	<u>(79,162)</u>	<u>(79,162)</u>	<u>597,284</u>	<u>(323,554)</u>
Net Change in Fund Balance	(228,000)	(232,000)	221,143	453,143
Fund Balance Beginning	<u>228,000</u>	<u>228,000</u>	<u>302,198</u>	<u>74,198</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (4,000)</u>	<u>\$ 523,341</u>	<u>\$ 527,341</u>

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

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 76,150	\$ 76,150	\$ 74,911	\$ (1,239)
Interest Earned	6	6	13	7
Total Receipts	<u>76,156</u>	<u>76,156</u>	<u>74,924</u>	<u>(1,232)</u>
DISBURSEMENTS				
Protection to Persons and Property	427,408	445,191	436,072	9,119
Administration	53,748	59,643	59,386	257
Total Disbursements	<u>481,156</u>	<u>504,834</u>	<u>495,458</u>	<u>9,376</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(405,000)</u>	<u>(428,678)</u>	<u>(420,534)</u>	<u>8,144</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>355,000</u>	<u>355,000</u>	<u>485,815</u>	<u>130,815</u>
Total Other Adjustments to Cash (Uses)	<u>355,000</u>	<u>355,000</u>	<u>485,815</u>	<u>130,815</u>
Net Change in Fund Balance	(50,000)	(73,678)	65,281	138,959
Fund Balance Beginning	<u>50,000</u>	<u>50,000</u>	<u>25,901</u>	<u>(24,099)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (23,678)</u>	<u>\$ 91,182</u>	<u>\$ 114,860</u>

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

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 174,046	\$ 174,046	\$ 161,868	\$ (12,178)
Interest	18	18	11	(7)
Total Receipts	174,064	174,064	161,879	(12,185)
DISBURSEMENTS				
General Government	84,346	84,346	26,544	57,802
Protection to Persons and Property	7,500	7,500		7,500
General Health and Sanitation	38,600	38,600	35,636	2,964
Social Services	1,300	1,300		1,300
Administration	12,611	12,611	11,477	1,134
Total Disbursements	144,357	144,357	73,657	70,700
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	29,707	29,707	88,222	58,515
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	40,286	40,286		(40,286)
Transfers To Other Funds	(99,993)	(99,993)	(71,704)	28,289
Total Other Adjustments to Cash (Uses)	(59,707)	(59,707)	(71,704)	(11,997)
Net Change in Fund Balance	(30,000)	(30,000)	16,518	46,518
Fund Balance Beginning	30,000	30,000	25,872	(4,128)
Fund Balance - Ending	\$ 0	\$ 0	\$ 42,390	\$ 42,390

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

STATE GRANT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 721,274	\$ 766,964	\$ 834,689	\$ 67,725
Interest			1	1
Total Receipts	721,274	766,964	834,690	67,726
DISBURSEMENTS				
Protection to Persons and Property		42,888	9,995	32,893
General Health and Sanitation		45,690	34,918	10,772
Debt Service	721,274	721,274	666,212	55,062
Administration	85,172	42,284		42,284
Total Disbursements	806,446	852,136	711,125	141,011
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(85,172)	(85,172)	123,565	208,737
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(10,772)	(10,772)
Total Other Adjustments to Cash (Uses)			(10,772)	(10,772)
Net Change in Fund Balance	(85,172)	(85,172)	112,793	197,965
Fund Balance Beginning	85,172	85,172	114,393	29,221
Fund Balance - Ending	\$ 0	\$ 0	\$ 227,186	\$ 227,186

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

FEDERAL GRANT FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 254,818	\$ 1,508,117	\$ 1,556,437	\$ 48,320
Miscellaneous		16,000	66,511	
Total Receipts	254,818	1,524,117	1,622,948	48,320
DISBURSEMENTS				
Protection to Persons and Property		58,966	58,966	
General Health and Sanitation		56,000	46,505	9,495
Administration	66,040	5,674		5,674
Total Disbursements	66,040	120,640	105,471	5,674
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	188,778	1,403,477	1,517,477	53,994
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(254,818)	(1,340,419)	(1,517,836)	(177,417)
Total Other Adjustments to Cash (Uses)	(254,818)	(1,340,419)	(1,517,836)	(177,417)
Net Change in Fund Balance	(66,040)	63,058	(359)	(63,417)
Fund Balance Beginning	66,040	66,040	65,490	(550)
Fund Balance - Ending	\$ 0	\$ 129,098	\$ 65,131	\$ (63,967)

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

FIRE PROTECTION FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
DISBURSEMENTS			
Protection to Persons and Property	\$ 1,704	\$ 1,704	\$ 1,704
Total Disbursements	1,704	1,704	1,704
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,704)	(1,704)	(1,704)
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	1,704	1,704	1,704
Total Other Adjustments to Cash (Uses)	1,704	1,704	1,704
Net Change in Fund Balance			
Fund Balance Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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

SOLID WASTE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Licenses and Permits	\$ 37,500	\$ 37,500	\$ 32,986	\$ (4,514)
Intergovernmental			22,895	22,895
Miscellaneous			25,772	25,772
Total Receipts	37,500	37,500	81,653	44,153
DISBURSEMENTS				
General Health and Sanitation	48,751	98,680	82,123	16,557
Administration	59,949	10,020	6,949	3,071
Total Disbursements	108,700	108,700	89,072	19,628
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(71,200)	(71,200)	(7,419)	63,781
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			10,772	10,772
Total Other Adjustments to Cash (Uses)			10,772	10,772
Net Change in Fund Balance	(71,200)	(71,200)	3,353	74,553
Fund Balance Beginning	71,200	71,200	68,941	(2,259)
Fund Balance - Ending	\$ 0	\$ 0	\$ 72,294	\$ 72,294

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

OCCUPATIONAL TAX FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,434,800	\$ 1,434,800	\$ 1,382,121	\$ (52,679)
Total Receipts	1,434,800	1,434,800	1,382,121	(52,679)
DISBURSEMENTS				
General Government	37,422	37,422	31,788	5,634
Protection to Persons and Property	20,000	20,000	20,000	
General Health and Sanitation	44,500	44,500	35,446	9,054
Social Services	50,000	50,000	50,000	
Recreation and Culture	174,692	174,692	162,561	12,131
Administration	349,264	349,264	54,312	294,952
Total Disbursements	675,878	675,878	354,107	321,771
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	758,922	758,922	1,028,014	269,092
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			41,799	41,799
Transfers To Other Funds	(803,922)	(803,922)	(908,000)	(104,078)
Total Other Adjustments to Cash (Uses)	(803,922)	(803,922)	(866,201)	(62,279)
Net Change in Fund Balance	(45,000)	(45,000)	161,813	206,813
Fund Balance Beginning	45,000	45,000	388,584	343,584
Fund Balance - Ending	\$ 0	\$ 0	\$ 550,397	\$ 550,397

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

LOCAL GOVERNMENT ECONOMIC DEVELOPMENT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
DISBURSEMENTS			
General Government	\$ 6,611	\$ 6,611	\$ 6,611
Total Disbursements	6,611	6,611	6,611
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(6,611)	(6,611)	6,611
Other Adjustments to Cash (Uses)			
Transfers To Other Funds			(6,611)
Total Other Adjustments to Cash (Uses)			(6,611)
Net Change in Fund Balance	(6,611)	(6,611)	(6,611)
Fund Balance Beginning	6,611	6,611	6,611
Fund Balance - Ending	\$ 0	\$ 0	\$ 0

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

	HUD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 7,714	\$ 7,714	\$ 9,482	\$ 1,768
Interest	60	60	61	1
Total Receipts	<u>7,774</u>	<u>7,774</u>	<u>9,543</u>	<u>1,769</u>
DISBURSEMENTS				
Social Services	\$ 125,612	\$ 125,612		\$ 125,612
Total Disbursements	<u>125,612</u>	<u>125,612</u>		<u>125,612</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(117,838)</u>	<u>(117,838)</u>	<u>9,543</u>	<u>127,381</u>
Net Change in Fund Balance	(117,838)	(117,838)	9,543	127,381
Fund Balance Beginning	<u>117,838</u>	<u>117,838</u>	<u>118,591</u>	<u>753</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 128,134</u>	<u>\$ 128,134</u>

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

EMERGENCY DISPATCH 911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 137,200	\$ 137,200	\$ 152,743	\$ 15,543
Charge for Services	250,000	250,000	248,099	(1,901)
Interest			2,500	2,500
Total Receipts	387,200	387,200	403,342	16,142
DISBURSEMENTS				
Protection to Persons and Property	\$ 261,321	\$ 288,081	\$ 272,739	\$ 15,342
Administration	150,879	124,119	102,375	21,744
Total Disbursements	412,200	412,200	375,114	37,086
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(25,000)	(25,000)	28,228	53,228
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			180,548	180,548
Transfers To Other Funds			(39,000)	(39,000)
Total Other Adjustments to Cash (Uses)			141,548	141,548
Net Change in Fund Balance	(25,000)	(25,000)	169,776	194,776
Fund Balance Beginning	25,000	25,000	78,151	53,151
Fund Balance - Ending	\$ 0	\$ 0	\$ 247,927	\$ 247,927

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

FEDERAL AMERICAN RESCUE PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$	\$	\$ 2	\$ 2
Total Receipts			2	2
DISBURSEMENTS				
Administration		1,085,601		1,085,601
Total Disbursements		1,085,601		1,085,601
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		(1,085,601)	2	1,085,603
Other Adjustments to Cash (Uses)				
Transfers From Other Funds		1,085,601	1,087,249	1,648
Total Other Adjustments to Cash (Uses)		1,085,601	1,087,249	1,648
Net Change in Fund Balance			1,087,251	1,087,251
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,087,251	\$ 1,087,251

**MARTIN 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. Excess of Disbursements Over Appropriations

The general fund debt service disbursements exceeded budgeted appropriations by \$18,934.

MARTIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL ASSISTANCE LISTING	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>				
Community Facilities Loans And Grants	10.766	Unknown	\$	\$ 116,945
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE				116,945
<u>UNITED STATES DEPARTMENT OF THE TREASURY</u>				
Passed Through Kentucky's Office of State Budget Director and Kentucky Department For Local Government:				
COVID-19 Coronavirus Relief Funds	21.019	C-104 C2-216		281,015 83,904
Total COVID-19 Coronavirus Relief Funds				364,919
TOTAL UNITED STATES DEPARTMENT OF THE TREASURY				364,919
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through Kentucky Department of Military Affairs and Kentucky Emergency Management (KYEM)				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4358 DR-4428 DR-4592 DR-4595		96,619 126,535 23,455 280,086
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)				526,695
Passed through Kentucky Department of Military Affairs and Kentucky Emergency Management (KYEM)				
Emergency Management Performance Grants	97.042	SC095-2200000589		12,864
TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY				539,559
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,021,423

The accompanying notes are an integral part of this schedule.

MARTIN 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 Martin 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 Martin County, Kentucky, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Martin 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

Martin County has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

MARTIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN 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	\$ 681,020	\$	\$	\$ 681,020
Contruction In Progress	61,246			61,246
Land Improvements	370,770			370,770
Buildings	12,504,396			12,504,396
Vehicles and Equipment	3,036,591			3,036,591
Infrastructure	2,505,250			2,505,250
 Total Capital Assets	 <u>\$ 19,159,273</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 19,159,273</u>

MARTIN 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.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Other Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

Note 2. Capital Assets Schedule

There was no activity reported by the county during the year or a listing maintained. The prior year schedule was carried forward.

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

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

The Honorable Lon Lafferty, Martin County Judge/Executive
The Honorable Colby Kirk, Former Martin County Judge/Executive
Members of the Martin 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 Martin County Fiscal Court for the fiscal year ended June 30, 2021, and the related notes to the financial statement which collectively comprise the Martin County Fiscal Court's financial statement and have issued our report thereon dated September 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Martin County Fiscal Court's internal control over financial reporting (internal control) to determine the 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 Martin County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Martin 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 were not 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, 2021-002, 2021-003, and 2021-004 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 Martin 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 determination of financial statement amounts. 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, 2021-002, 2021-003, and 2021-004.

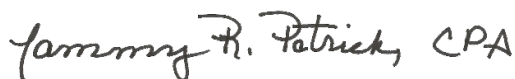
Views of Responsible Officials and Planned Corrective Action

Martin County's views and planned corrective action for the finding 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 that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

September 27, 2022

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

THIS PAGE LEFT BLANK INTENTIONALLY



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

The Honorable Lon Lafferty, Martin County Judge/Executive
The Honorable Colby Kirk, Former Martin County Judge/Executive
Members of the Martin County Fiscal Court

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

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Martin 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 Martin County Fiscal Court's major federal programs for the year ended June 30, 2021. The Martin 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 Martin 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 Martin 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 Martin County Fiscal Court's compliance.

Basis for Adverse Opinion on CFDA 21.019 Coronavirus Relief Fund

As described in the accompanying schedule of findings and questioned costs, the Martin County Fiscal Court did not comply with requirements regarding CFDA 21.019 CARES - Coronavirus Relief Fund as described in finding number 2021-005 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Martin County Fiscal Court to comply with the requirements applicable to that program.

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

Adverse Opinion on CFDA 21.019 Coronavirus Relief Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph and finding number 2021-005, the Martin County Fiscal Court did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 21.019 CARES - Coronavirus Relief Fund for the year ended June 30, 2021.

Unmodified Opinion on CFDA 10.766 Community Facilities Loan And Grants

In our opinion, the Martin 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 Martin 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 Martin 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 as a basis for designing audit 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 Martin 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 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.

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 significant deficiencies or material weaknesses and therefore significant deficiencies and material weaknesses may exist that have not been identified. However, as discussed below, we did identify a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005 to be a material weakness.

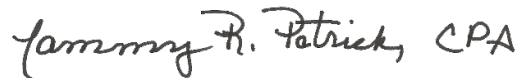
Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Tammy R. Patrick, CPA". The signature is written in a cursive, flowing style.

Tammy R. Patrick, CPA
Patrick & Associates, LLC

September 27, 2022

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

MARTIN 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 auditor issued: Adverse on GAAP and Unmodified on Regulatory Basis

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified?	<input 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 checked="" type="checkbox"/> Yes	<input 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: Adverse and Unmodified		
Are any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19 Coronavirus Relief Funds
10.766	Community Facilities Loans And Grants

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

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

Section II: Financial Statement Findings

2021-001 The Martin County Fiscal Court Failed To Maintain Proper Controls Over The Procurement And Bidding Processes

This is a repeat finding and was included in the prior year audit report as finding 2020-002. The county failed to properly bid disbursements that exceeded \$30,000. The county did not advertise for bids on all disbursements. Three disbursements totaling \$164,928 were not properly bid. These disbursements were for repairs to a road and purchases of technology and associated labor totaling \$96,919 and \$68,009, respectively. The technology and associated labor disbursements were purchased using federal funds.

In addition, the following was noted:

- Four disbursements totaling \$345,572 were not paid within 30 days.
- Six disbursements were missing purchase orders.
- Penalty paid due to late payment of \$1,097.

The county wasn't aware that purchases that exceed the \$30,000 bid threshold must still be bid in accordance with Kentucky Revised Statutes even though federal and state emergencies have been declared. In addition, the lack of effective controls resulted in the additional disbursement exceptions noted above.

As a result, the fiscal court was not in compliance with procurement laws, the county administrative code, and the Budget & Policy Manual issued by the Kentucky Department for Local Government. In addition, the county may not have received the best value for services or products provided.

KRS 424.260(1) states, in part, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for: (a) Materials; (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits; (c) Equipment; or (d) Contractual services other than professional; involving an expenditure of more than thirty thousand dollars (\$30,000) without first making newspaper advertisement for bids."

KRS 65.140(2) states, in part, "all bills for goods or services shall be paid within thirty (30) working days of receipt of vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor." It continues to state that if a payment of invoices exceeds 30 working days, a 1% interest penalty should be added.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which states, "[p]urchases shall not be made without approval by the judge/executive (or designee), and/or a department head . . . Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made." DLG requests that purchase orders be issued for all disbursements.

We recommend the county monitor disbursements to ensure procurement procedures are followed properly for all purchases in the future.

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

Section II: Financial Statement Findings (Continued)

2021-001 The Martin County Fiscal Court Failed To Maintain Proper Controls Over The Procurement And Bidding Processes (Continued)

Views of Responsible Official and Planned Corrective Action:

Former County Judge/Executive Colby Kirk's Response: These items occurred during the COVID pandemic. The county was not sure how to navigate the isolation restrictions and supply chain issues. We were informed by a trusted party that we could make these purchases without bidding because we were in a declared emergency. In the future, when we have questions, we will reach out to the DLG for guidance. In addition, we have had additional training and instruction on the procurement process, and we are adding an annual retraining at the monthly department head meeting every January.

2021-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes

This is a repeat finding and was included in the prior year audit report as finding 2020-004. The budget approved in the fiscal court minutes and submitted to the Department for Local Government (DLG) did not agree to the amount reported on the fourth quarter report. The approved budget for receipts was a total of \$6,620,378 and the amount reported on the fourth quarter was for \$7,550,990 for a difference of \$930,613. In addition, budget amendments were not properly recorded in the fourth quarter report. Furthermore, one budget amendment was incorrect which resulted in the general fund and federal fund budgets to not balance.

The fiscal court did not have effective internal controls, review procedures, and oversight for the budget, budget amendment, and financial reporting processes to ensure that correct budget amounts were approved and reported on the fourth quarter report.

Inadequate controls over the budget process resulted in the undetected errors noted above. The fiscal court relies on information presented in the quarterly financial reports and inaccurate information could lead to improper decision making.

KRS 68.210 states, "[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials." DLG's *County Budget Preparation and State Local Finance Officer Policy Manual* requires county officials to submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and expenditures. The fourth quarter financial report must agree to the original budget and budget amendments submitted to and approved by DLG.

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget.

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

Section II: Financial Statement Findings (Continued)

2021-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive Colby Kirk's Response: This was an error made by the treasurer. The previous process had the treasurer inputting all of the information and the treasurer was the only person who reviewed the input. In June 2022, the process changed. The Finance Officer now confirms that the budget and the other inputs are correct in the Quarterly Reports. In addition, the fiscal court is in the process of changing to a new software that is designed specifically for government use that will not require a separate input and review for the budget or budget amendments.

2021-003 The Martin County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget

This is a repeat finding and was included in the prior year audit report as finding 2020-005. During the year, there was a debt instrument where the principal and interest was paid on the county's behalf by another party totaling \$18,934. These transactions were not included in the receipts and disbursements of the county. As a result, the fiscal court failed to properly budget for the debt-related receipts and disbursements in the general fund. Failing to account for this activity resulted in appropriations in excess of budget in the general fund debt service category of \$18,934.

Management was unaware that financing obligations proceeds and activity paid on the county's behalf by a third party must be shown on the financial statement and budgeted, even when the county does not receive the proceeds or the funds do not flow through the county.

The occurrence described above resulted in adjustments to include this activity on the fourth quarter financial report which resulted in county appropriations exceeding the approved budget.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not made within the budget appropriations, shall be void." KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

We recommend fiscal court comply with KRS 68.300 and KRS 68.280 by budgeting all fiscal court disbursements and amending the budget as necessary to reflect all receipts and disbursements involving obligations of the county.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive Colby Kirk's Response: The fiscal court will start reporting the third-party loan in their annual budget. Appropriations transfers will be made in the October meeting to incorporate it into the 2023 budget.

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

Section II: Financial Statement Findings (Continued)

2021-004 The Martin County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards

The county did not prepare an accurate schedule of expenditures of federal awards (SEFA) for fiscal year 2021. The SEFA provided by the county was understated by \$117,739.

The fiscal court did not have adequate procedures in place to ensure that all federal expenditures were accurately reported in the SEFA.

The failure to properly prepare the SEFA may result in the county failing to be in compliance with the single audit requirement and/or resulting in federal monies being suspended.

2 CFR 200.510(b) requires the auditee to “also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements.” At a minimum, the schedule should include the following, if applicable.

- (1) List individual Federal programs by Federal agency.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall 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 information is not available.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs...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) Includes notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate.

We recommend the county establish procedures to ensure that the SEFA is prepared accurately.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive Colby Kirk’s Response: The treasurer inadvertently did not include the USDA vehicle grants on the SEFA. As the threshold for the Single Audit was met, the county is in compliance with the Single Audit requirement. A new procedure will be in place by October 31, 2022 where the treasurer will generate and maintain a spreadsheet of all Federal grants as the MOAs are executed. In addition, the SEFA will be reviewed by both the finance officer and the judge prior to submission to the DLG.

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

Section III: Federal Award Findings And Questioned Costs

2021-005 The Martin County Fiscal Court Submitted Ineligible Expenses For Federal Reimbursement From
 The Coronavirus Relief Fund

Federal Program: ALN 21.019 COVID-19 Coronavirus Relief Fund

Award Number and Year: 2100000009, C-104

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

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

Type of Finding: Material Weakness and Noncompliance

Amount of Questioned Costs: \$68,312

Modified Opinion: Adverse

The Martin County Fiscal Court submitted expenses that either did not qualify for reimbursement or were not allowable due to not following proper procurement procedures. Total questioned costs of \$68,312 were noted for this major program.

The county performed computer upgrades for the offices in the Martin County Courthouse. The county did not follow proper procurement procedures and failed to bid the technology and associated labor for these upgrades that totaled \$68,190.

There were two instances where the county paid sales tax for purchases and were reimbursed with federal funds that totaled \$122.

The county was under the understanding that since an emergency declaration had been made that the bid requirements were not applicable to the situation. In addition, controls in place were not effective to prevent the payment of sales tax.

As a result, the county submitted expenses that did not qualify for reimbursement from the Coronavirus Relief Fund administered by the Commonwealth of Kentucky's Department for Local Government (DLG). This resulted in \$68,312 of questioned costs.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that— 1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); 2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and 3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

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

We recommend the county establish and maintain effective internal control over federal awards that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. We also recommend the county contact the Department for Local Government for guidance on how to resolve this issue.

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

Section III: Federal Award Findings And Questioned Costs

2021-005 The Martin County Fiscal Court Submitted Ineligible Expenses For Federal Reimbursement From The Coronavirus Relief Fund (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive Colby Kirk's Response: The county sought guidance from a trusted party who indicated that the procedure we followed was allowable. This was reimbursement grant, and the DLG approved the submission and reimbursement. See 2021-001 for corrective actions.

Section IV: Summary Schedule of Prior Audit Findings

Finding Number	Prior Year Finding Title	Status	Corrective Action
2020-001	The Martin County Fiscal Court Does Not Have Adequate Internal Controls Over Receipts	Resolved	
2020-002	The Martin County Fiscal Court Does Not Have Adequate Internal Controls Over Disbursements	Unresolved	See Corrective Action for current finding 2021-001
2020-003	The Martin County Fiscal Court Owes \$58,000 To The County's Federal HUD Fund Due To Prior Year Failures To Have Effective Internal Controls Over Federal Grant Expenditures	Resolved	
2020-004	The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget Process	Unresolved	See Corrective Action for current finding 2021-002
2020-005	The Martin County Fiscal Court's Disbursements Exceeded Budget Appropriations \$66,358	Unresolved	See Corrective Action for current finding 2021-003

THIS PAGE LEFT BLANK INTENTIONALLY

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

MARTIN COUNTY FISCAL COURT

For The Year Ended June 30, 2021

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

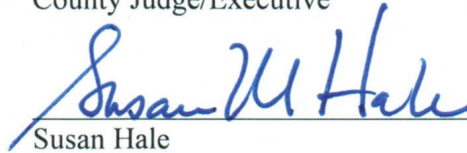
MARTIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2021

The Martin County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in blue ink, appearing to read "Colby Kirk", is written over a horizontal line.

Colby Kirk
County Judge/Executive

A handwritten signature in blue ink, appearing to read "Susan M. Hale", is written over a horizontal line.

Susan Hale
County Treasurer