

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

**For The Year Ended  
June 30, 2022**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
[auditor.ky.gov](http://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, 2022.

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.....   | 5  |
| STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES<br>IN FUND BALANCES - REGULATORY BASIS.....  | 8  |
| NOTES TO FINANCIAL STATEMENT.....  | 13 |
| BUDGETARY COMPARISON SCHEDULES.....  | 27 |
| NOTES TO REGULATORY SUPPLEMENTARY<br>INFORMATION - BUDGETARY COMPARISON SCHEDULES.....   | 39 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....  | 43 |
| NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....  | 44 |
| SCHEDULE OF CAPITAL ASSETS.....  | 47 |
| NOTES TO OTHER INFORMATION - REGULATORY BASIS<br>SCHEDULE OF CAPITAL ASSETS.....   | 48 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND<br>ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL<br>STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> ..... | 51 |
| REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM<br>AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE<br>IN ACCORDANCE WITH UNIFORM GUIDANCE.....  | 55 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....   | 61 |
| 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

#### ***Opinions***

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, 2022, 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.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Martin County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Martin County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

#### ***Basis for Opinions***

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

To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable 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 and pervasive.

### ***Responsibilities of Management for the Financial Statement***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Martin County Fiscal Court's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Martin County Fiscal Court's ability to continue as a going concern for a reasonable period of time.



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

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

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

**Other Matters**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Martin County Fiscal Court. The Budgetary Comparison Schedules and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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.

***Other Information***

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

To the People of Kentucky  
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

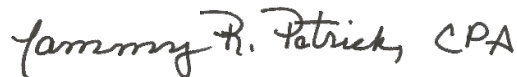
**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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:

2022-001    The Martin County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget

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

March 23, 2023

**MARTIN COUNTY OFFICIALS**  
**For The Year Ended June 30, 2022**

**Fiscal Court Members:**

|   |                        |
|---|------------------------|
| Lon Lafferty (Beginning November 9, 2022 to Present)            | County Judge/Executive |
| Colby Kirk (Beginning January 10, 2022 to November 8, 2022)     | County Judge/Executive |
| Victor Slone (Beginning March 27, 2021 through January 9, 2022) | County Judge/Executive |
| Jared Goforth   | Magistrate             |
| Joseph Hunt Jr.   | Magistrate             |
| Roger D. Preece   | Magistrate             |
| Mark Blackburn  | 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 (Through October 21, 2022)                     | County Treasurer |
| Christina Frazier (Beginning October 24, 2022 to present) | County Treasurer |

THIS PAGE LEFT BLANK INTENTIONALLY

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

**For The Year Ended June 30, 2022**

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

**For The Year Ended June 30, 2022**

|  | <b>Budgeted Funds</b>   |                      |                      |
|--|-------------------------|----------------------|----------------------|
|  | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Jail<br/>Fund</b> |
| <b>RECEIPTS</b>  |                         |                      |                      |
| Taxes  | \$ 631,426              | \$                   | \$                   |
| Excess Fees  | 73,287                  |                      |                      |
| Licenses and Permits   |                         |                      |                      |
| Intergovernmental  | 400,254                 | 1,319,340            | 76,154               |
| Charges for Services   |                         |                      |                      |
| Miscellaneous  | 401,796                 | 32,806               | 200                  |
| Interest   | 168                     | 285                  | 43                   |
| Total Receipts   | <u>1,506,931</u>        | <u>1,352,431</u>     | <u>76,397</u>        |
| <b>DISBURSEMENTS</b>   |                         |                      |                      |
| General Government   | 1,234,452               |                      |                      |
| Protection to Persons and Property   | 38,984                  | 470                  | 473,460              |
| General Health and Sanitation  |                         |                      |                      |
| Social Services  |                         |                      |                      |
| Recreation and Culture   |                         |                      |                      |
| Roads  |                         | 1,361,182            |                      |
| Debt Service   | 18,109                  | 45,211               |                      |
| Administration   | 599,786                 | 207,373              | 60,580               |
| Total Disbursements  | <u>1,891,331</u>        | <u>1,614,236</u>     | <u>534,040</u>       |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(384,400)</u>        | <u>(261,805)</u>     | <u>(457,643)</u>     |
| <b>Other Adjustments to Cash (Uses)</b>  |                         |                      |                      |
| Transfers From Other Funds   | 881,690                 | 217,237              | 510,771              |
| Transfers To Other Funds   | (369,387)               | (264,537)            |                      |
| Total Other Adjustments to Cash (Uses)   | <u>512,303</u>          | <u>(47,300)</u>      | <u>510,771</u>       |
| Net Change in Fund Balance   | 127,903                 | (309,105)            | 53,128               |
| Fund Balance - Beginning   | 185,642                 | 523,341              | 91,182               |
| Fund Balance - Ending  | <u>\$ 313,545</u>       | <u>\$ 214,236</u>    | <u>\$ 144,310</u>    |
| <b>Composition of Fund Balance</b>   |                         |                      |                      |
| Bank Balance   | \$ 574,151              | \$ 214,719           | \$ 144,727           |
| Less: Outstanding Checks   | (260,606)               | (483)                | (417)                |
| Fund Balance - Ending  | <u>\$ 313,545</u>       | <u>\$ 214,236</u>    | <u>\$ 144,310</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, 2022**  
**(Continued)**

| <b>Budgeted Funds</b>  |                                 |                                   |                                     |                                 |                                      |
|--|---------------------------------|-----------------------------------|-------------------------------------|---------------------------------|--------------------------------------|
| <b>Local<br/>Government<br/>Economic<br/>Assistance<br/>Fund</b> | <b>State<br/>Grant<br/>Fund</b> | <b>Federal<br/>Grant<br/>Fund</b> | <b>Fire<br/>Protection<br/>Fund</b> | <b>Solid<br/>Waste<br/>Fund</b> | <b>Occupational<br/>Tax<br/>Fund</b> |
| \$   | \$                              | \$                                | \$                                  | \$                              | \$ 1,554,284                         |
|  |                                 |                                   |                                     | 25,799                          |                                      |
| 330,135  | 785,304                         | 1,471,953                         |                                     | 20,876                          |                                      |
| 50   |                                 | 1,904                             |                                     |                                 | 4,686                                |
| 25   |                                 |                                   |                                     |                                 |                                      |
| 330,210  | 785,304                         | 1,473,857                         |                                     | 46,675                          | 1,558,970                            |
| 31,201   | 14,000                          | 62,080                            |                                     |                                 | 35,804                               |
| 1,704  | 36,664                          | 34,033                            |                                     |                                 | 20,000                               |
| 32,076   | 50,000                          | 4,892                             |                                     | 59,936                          | 38,086                               |
|  |                                 |                                   |                                     |                                 | 50,000                               |
|  |                                 | 10,007                            |                                     |                                 | 160,581                              |
|  |                                 | 227,156                           |                                     |                                 |                                      |
|  | 665,813                         | 80,861                            |                                     |                                 |                                      |
| 11,939   |                                 |                                   |                                     | 11,065                          | 807,396                              |
| 76,920   | 766,477                         | 419,029                           |                                     | 71,001                          | 1,111,867                            |
| 253,290  | 18,827                          | 1,054,828                         |                                     | (24,326)                        | 447,103                              |
|  |                                 | 81,775                            |                                     |                                 | 20,243                               |
| (257,700)  |                                 | (1,165,246)                       |                                     |                                 | (865,000)                            |
| (257,700)  |                                 | (1,083,471)                       |                                     |                                 | (844,757)                            |
| (4,410)  | 18,827                          | (28,643)                          |                                     | (24,326)                        | (397,654)                            |
| 42,390   | 227,186                         | 65,131                            |                                     | 72,294                          | 550,397                              |
| \$ 37,980  | \$ 246,013                      | \$ 36,488                         | \$ 0                                | \$ 47,968                       | \$ 152,743                           |
| \$ 38,280  | \$ 246,013                      | \$ 117,349                        | \$                                  | \$ 48,515                       | \$ 270,550                           |
| (300)  |                                 | (80,861)                          |                                     | (547)                           | (117,807)                            |
| \$ 37,980  | \$ 246,013                      | \$ 36,488                         | \$ 0                                | \$ 47,968                       | \$ 152,743                           |

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, 2022**  
**(Continued)**

|  | <b>Budgeted Funds</b> |  |  |
|--|-----------------------|--|--|
|  | <b>HUD<br/>Fund</b>   | <b>Emergency<br/>Dispatch<br/>911<br/>Fund</b> | <b>Federal<br/>American<br/>Rescue<br/>Plan Act<br/>Fund</b> |
| <b>RECEIPTS</b>  |                       |  |  |
| Taxes  | \$                    | \$   | \$   |
| Excess Fees  |                       |  |  |
| Licenses and Permits   |                       |  |  |
| Intergovernmental  |                       | 168,729  |  |
| Charges for Services   |                       | 247,404  |  |
| Miscellaneous  | 5,420                 |  |  |
| Interest   | 85                    | 0  | 437  |
| Total Receipts   | <u>5,505</u>          | <u>416,133</u>                                 | <u>437</u>   |
| <b>DISBURSEMENTS</b>   |                       |  |  |
| General Government   |                       |  | 55,492   |
| Protection to Persons and Property   |                       | 324,183  |  |
| General Health and Sanitation  |                       |  |  |
| Social Services  |                       |  |  |
| Recreation and Culture   |                       |  | 28,600   |
| Roads  |                       |  |  |
| Debt Service   |                       |  |  |
| Administration   |                       | 92,389   |  |
| Total Disbursements  | <u></u>               | <u>416,572</u>                                 | <u>84,092</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>5,505</u>          | <u>(439)</u>                                   | <u>(83,655)</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                       |  |  |
| Transfers From Other Funds   | 133,000               | 75,000   | 1,087,249  |
| Transfers To Other Funds   |                       | (85,095)                                       |  |
| Total Other Adjustments to Cash (Uses)   | <u>133,000</u>        | <u>(10,095)</u>                                | <u>1,087,249</u>   |
| Net Change in Fund Balance   | 138,505               | (10,534)                                       | 1,003,594  |
| Fund Balance - Beginning   | <u>128,134</u>        | <u>247,927</u>                                 | <u>1,087,251</u>   |
| Fund Balance - Ending  | <u>\$ 266,639</u>     | <u>\$ 237,393</u>                              | <u>\$ 2,090,845</u>  |
| <b>Composition of Fund Balance</b>   |                       |  |  |
| Bank Balance   | \$ 266,639            | \$ 241,634                                     | \$ 2,119,445   |
| Less: Outstanding Checks   | <u></u>               | <u>(4,241)</u>                                 | <u>(28,600)</u>  |
| Ending Fund Balance  | <u>\$ 266,639</u>     | <u>\$ 237,393</u>                              | <u>\$ 2,090,845</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, 2022**  
**(Continued)**

| <b>Unbudgeted Funds</b>                           |  |                        |
|---|--|------------------------|
| <b>Volunteer<br/>Fire<br/>Department<br/>Fund</b> | <b>Public<br/>Properties<br/>Corporation<br/>Bond<br/>Fund</b> | <b>Total<br/>Funds</b> |
| \$  | \$   | \$ 2,185,710           |
|   |  | 73,287                 |
|   |  | 25,799                 |
|   |  | 4,572,745              |
|   |  | 247,404                |
|   |  | 446,862                |
|   |  | 1,043                  |
|   |  | 7,552,850              |
|   |  | 1,433,029              |
|   |  | 929,498                |
|   |  | 184,990                |
|   |  | 50,000                 |
|   |  | 199,188                |
|   |  | 1,588,338              |
|   |  | 809,994                |
|   |  | 1,790,528              |
|   |  | 6,985,565              |
|   |  | 567,285                |
|   |  | 3,006,965              |
|   |  | (3,006,965)            |
|   |  | 567,285                |
| 15  | 25   | 3,220,915              |
| \$ 15   | \$ 25  | \$ 3,788,200           |
| \$ 15   | \$ 25  | \$ 4,282,062           |
|   |  | (493,862)              |
| \$ 15   | \$ 25  | \$ 3,788,200           |

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 ..... | 13 |
| NOTE 2.  | DEPOSITS .....                                   | 16 |
| NOTE 3.  | TRANSFERS.....                                   | 16 |
| NOTE 4.  | LEASES .....                                     | 17 |
| NOTE 5.  | RECEIVABLES .....                                | 17 |
| NOTE 6.  | LONG-TERM DEBT .....                             | 17 |
| NOTE 7.  | EMPLOYEE RETIREMENT SYSTEM .....                 | 21 |
| NOTE 8.  | DEFERRED COMPENSATION.....                       | 23 |
| NOTE 9.  | INSURANCE.....                                   | 23 |
| NOTE 10. | AGENCY TRUST FUNDS .....                         | 24 |
| NOTE 11. | RELATED PARTY TRANSACTION.....                   | 24 |

**MARTIN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**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, 2022**  
**(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 disbursements 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 disbursements 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 disbursements 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 disbursements of the county. The primary source of receipts for this fund is from the collection of occupational taxes.

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 disbursements 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 disbursements 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, 2022**  
**(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 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, 2022**  
**(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, 2022, 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 2022.

|                        | General<br>Fund | Road<br>Fund | Local<br>Government<br>Economic<br>Assistance Fund | Occupational<br>Tax Fund | Federal Grant<br>Fund | Emergency<br>Dispatch 911<br>Fund | Total<br>Transfers In |
|------------------------|-----------------|--------------|--|--------------------------|-----------------------|-----------------------------------|-----------------------|
| General Fund           | \$              | \$ 196,191   | \$   | \$ 598,500               | \$ 1,904              | \$ 85,095                         | \$ 881,690            |
| Road Fund              | 141,144         |              |  |                          | 76,093                |                                   | 217,237               |
| Jail Fund              |                 |              | 244,271  | 266,500                  |                       |                                   | 510,771               |
| Federal Grant Fund     |                 | 68,346       | 13,429   |                          |                       |                                   | 81,775                |
| Occupational Tax Fund  | 20,243          |              |  |                          |                       |                                   | 20,243                |
| HUD Fund               | 133,000         |              |  |                          |                       |                                   | 133,000               |
| Emergency Dispatch 911 | 75,000          |              |  |                          |                       |                                   | 75,000                |
| Federal ARPA           |                 |              |  |                          | 1,087,249             |                                   | 1,087,249             |
| Total Transfers Out    | \$ 369,387      | \$ 264,537   | \$ 257,700   | \$ 865,000               | \$ 1,165,246          | \$ 85,095                         | \$ 3,006,965          |

**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, 2022**  
**(Continued)**

**Note 4. Leases**

**Lessor**

During the current fiscal year, the Martin County Fiscal Court leased office space to the Administrative Office of the Courts (AOC) for CDW/Drug Court space. The original lease was dated May 17, 2019 and was effective for the period of August 1, 2019 through June 30, 2020. Upon the end of the agreement date, the lease is automatically renewed for a two-year period unless 30 days' written notice by either party is sent to the other. As of June 30, 2022, the lease was renewed for an additional two-year period. The Martin County Fiscal Court will receive quarterly payments of \$5,752. The Martin County Fiscal Court recognized \$23,008 in lease revenue during the fiscal year ended June 30, 2022, related to this lease. As of June 30, 2022, the Martin County Fiscal Court's receivable for lease payments was \$46,016.

**Note 5. Receivables**

**A. 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 \$41,222 outstanding as of June 30, 2022. (See Note 6.A.1)

**Note 6. 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 20 of each year with a final payment due in March 2025.

The lease contains provisions that in an event of default the lessor may exercise any of the following options: (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.

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**1. Martin County Water District - Financing Obligation (Continued)**

As of June 30, 2022, the principal balance amount outstanding corresponds to the receivable due to the county (as outlined in Note 5.A). Principal of \$15,000 and interest of \$3,109 were paid as of June 30, 2022. Payments for the remaining years are as follows:

| <u>Fiscal Year Ended<br/>June 30</u> | <u>Scheduled<br/>Principal</u> | <u>Scheduled<br/>Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2023                                 | \$ 15,000                      | \$ 2,283                      |
| 2024                                 | 15,000                         | 1,459                         |
| 2025                                 | 11,222                         | 630                           |
| Totals                               | <u>\$ 41,222</u>               | <u>\$ 4,372</u>               |

**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 ten 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, 2022, the principal amount outstanding was \$101,509. Payments for the remaining years are as follows:

| <u>Fiscal Year Ended<br/>June 30</u> | <u>Scheduled<br/>Principal</u> | <u>Scheduled<br/>Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2023                                 | \$ 45,720                      | \$ 3,378                      |
| 2024                                 | 47,654                         | 1,444                         |
| 2025                                 | 8,135                          | 49                            |
| Totals                               | <u>\$ 101,509</u>              | <u>\$ 4,871</u>               |



**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 6. 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)**

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, 2022, the principal amount outstanding was \$7,757,500. Payments for the remaining years are as follows:

| <u>Fiscal Year Ended<br/>June 30</u> | <u>Scheduled<br/>Principal</u> | <u>Scheduled<br/>Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2023                                 | \$ 340,000                     | \$ 305,244                    |
| 2024                                 | 352,500                        | 295,044                       |
| 2025                                 | 365,000                        | 284,469                       |
| 2026                                 | 377,500                        | 271,669                       |
| 2027                                 | 392,500                        | 256,569                       |
| 2028-2032                            | 2,232,500                      | 1,033,245                     |
| 2033-2037                            | 2,752,500                      | 543,741                       |
| 2038-2039                            | 945,000                        | 52,181                        |
| Totals                               | <u>\$ 7,757,500</u>            | <u>\$ 3,042,162</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 to 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, 2022, the principal amount outstanding was \$419,139. Payments for the remaining years are as follows:

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**A. Direct Borrowings and Direct Placements (Continued)**

**4. Flood Relief (Continued)**

| <u>Fiscal Year Ended<br/>June 30</u> | <u>Scheduled<br/>Principal</u> | <u>Scheduled<br/>Interest</u> |
|--------------------------------------|--------------------------------|-------------------------------|
| 2023                                 | \$ 11,813                      | \$ 17,122                     |
| 2024                                 | 96,201                         | 13,596                        |
| 2025                                 | 99,861                         | 9,936                         |
| 2026                                 | 103,660                        | 6,136                         |
| 2027                                 | <u>107,604</u>                 | <u>2,192</u>                  |
| Totals                               | <u>\$ 419,139</u>              | <u>\$ 48,982</u>              |

**B. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2022, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Direct Borrowings and<br>Direct Placements | \$ 8,789,095                 | \$               | \$ 469,725        | \$ 8,319,370              | \$ 412,533                     |
| Total Long-term Debt                       | <u>\$ 8,789,095</u>          | <u>\$ 0</u>      | <u>\$ 469,725</u> | <u>\$ 8,319,370</u>       | <u>\$ 412,533</u>              |

**C. Aggregate Debt Schedule**

The amounts of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

| <u>Fiscal Year Ended<br/>June 30</u> | <u>Direct Borrowings and Direct Placements</u> |                     |
|--------------------------------------|--|---------------------|
|                                      | <u>Principal</u>                               | <u>Interest</u>     |
| 2023                                 | \$ 412,533                                     | \$ 328,027          |
| 2024                                 | 511,355  | 311,543             |
| 2025                                 | 484,218  | 295,084             |
| 2026                                 | 481,160  | 277,805             |
| 2027                                 | 500,104  | 258,761             |
| 2028-2032                            | 2,232,500                                      | 1,033,245           |
| 2033-2037                            | 2,752,500                                      | 543,741             |
| 2038-2039                            | <u>945,000</u>                                 | <u>52,181</u>       |
| Totals                               | <u>\$ 8,319,370</u>                            | <u>\$ 3,100,387</u> |

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 7. Employee Retirement System**

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

The county's contribution for FY 2020 was \$299,416, FY 2021 was \$321,821, and FY 2022 was \$372,222.

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 Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts. Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. 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 26.95 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:

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Cost of Living Adjustments - Tier 1

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

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

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

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 7. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

E. Death Benefit

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

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 8. 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 9. Insurance**

For the fiscal year ended June 30, 2022, 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.

**MARTIN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 10. 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:

Nonstructural Flood Control - The primary purpose of this fund is to account for the Martin County Fiscal Court writing checks for the city of Inez. Since this fund is a fiduciary fund in nature, it is not represented in the financial statement. The balance in the nonstructural flood control fund as of June 30, 2022, was \$113,383.

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, 2022, was \$1,774.

**Note 11. Related Party Transaction**

For fiscal year ending June 30, 2022, the fiscal court did business with a cleaning service that employs one of the magistrates (term ended December 31, 2022). The fiscal court spent \$43,979 on this cleaning service for this fiscal year.

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

**For The Year Ended June 30, 2022**

THIS PAGE LEFT BLANK INTENTIONALLY



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

**For The Year Ended June 30, 2022**

|  | <b>GENERAL FUND</b> |            |  |   |
|--|---------------------|------------|--|---|
|  | Budgeted Amounts    |            | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original            | Final      |  |   |
| <b>RECEIPTS</b>  |                     |            |  |   |
| Taxes  | \$ 452,119          | \$ 532,902 | \$ 631,426                                 | \$ 98,524   |
| Excess Fees  |                     | 84,853     | 73,287                                     | (11,566)  |
| Intergovernmental  | 175,800             | 346,532    | 400,254                                    | 53,722  |
| Miscellaneous  | 120,948             | 358,722    | 401,796                                    | 43,074  |
| Interest   | 25                  | 25         | 168  | 143   |
| Total Receipts   | 748,892             | 1,323,034  | 1,506,931                                  | 183,897   |
| <b>DISBURSEMENTS</b>   |                     |            |  |   |
| General Government   | 1,287,918           | 1,265,968  | 1,234,452                                  | 31,516  |
| Protection to Persons and Property   | 48,500              | 48,500     | 38,984                                     | 9,516   |
| General Health and Sanitation  | 200                 | 200        |  | 200   |
| Social Services  | 5,850               | 5,850      |  | 5,850   |
| Debt Service   |                     |            | 18,109                                     | (18,109)  |
| Administration   | 473,695             | 782,103    | 599,786                                    | 182,317   |
| Total Disbursements  | 1,816,163           | 2,102,621  | 1,891,331                                  | 211,290   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (1,067,271)         | (779,587)  | (384,400)                                  | 395,187   |
| <b>Other Adjustments to Cash (Uses)</b>  |                     |            |  |   |
| Transfers From Other Funds   | 923,271             | 923,271    | 881,690                                    | (41,581)  |
| Transfers To Other Funds   |                     | (143,384)  | (369,387)                                  | (226,003)   |
| Total Other Adjustments to Cash (Uses)   | 923,271             | 779,887    | 512,303                                    | (267,584)   |
| Net Change in Fund Balance   | (144,000)           | 300        | 127,903                                    | 127,603   |
| Fund Balance Beginning   | 144,000             | 185,642    | 185,642                                    |   |
| Fund Balance - Ending  | \$ 0                | \$ 185,942 | \$ 313,545                                 | \$ 127,603  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

|  | <b>ROAD FUND</b>        |                   |  |   |
|--|-------------------------|-------------------|--|---|
|  | <b>Budgeted Amounts</b> |                   | <b>Actual<br/>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|  | <b>Original</b>         | <b>Final</b>      |  |   |
| <b>RECEIPTS</b>  |                         |                   |  |   |
| Intergovernmental  | \$ 1,486,181            | \$ 1,713,506      | \$ 1,319,340   | \$ (394,166)  |
| Miscellaneous  |                         | 27,125            | 32,806   | 5,681   |
| Interest   | 150                     | 150               | 285  | 135   |
| Total Receipts   | <u>1,486,331</u>        | <u>1,740,781</u>  | <u>1,352,431</u>                                     | <u>(388,350)</u>  |
| <b>DISBURSEMENTS</b>   |                         |                   |  |   |
| Protection to Persons and Property   | 470                     | 470               | 470  |   |
| Roads  | 1,184,316               | 1,554,023         | 1,361,182  | 192,841   |
| Debt Service   | 549,098                 | 49,098            | 45,211   | 3,887   |
| Administration   | 229,167                 | 255,567           | 207,373  | 48,194  |
| Total Disbursements  | <u>1,963,051</u>        | <u>1,859,158</u>  | <u>1,614,236</u>                                     | <u>244,922</u>  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | <u>(476,720)</u>        | <u>(118,377)</u>  | <u>(261,805)</u>                                     | <u>(143,428)</u>  |
| <b>Other Adjustments to Cash (Uses)</b>  |                         |                   |  |   |
| Transfers From Other Funds   |                         | 143,384           | 217,237  | 73,853  |
| Transfers To Other Funds   | <u>(293,948)</u>        | <u>(293,948)</u>  | <u>(264,537)</u>                                     | <u>29,411</u>   |
| Total Other Adjustments to Cash (Uses)   | <u>(293,948)</u>        | <u>(150,564)</u>  | <u>(47,300)</u>                                      | <u>103,264</u>  |
| Net Change in Fund Balance   | (770,668)               | (268,941)         | (309,105)  | (40,164)  |
| Fund Balance Beginning   | <u>770,668</u>          | <u>770,668</u>    | <u>523,341</u>                                       | <u>(247,327)</u>  |
| Fund Balance - Ending  | <u>\$ 0</u>             | <u>\$ 501,727</u> | <u>\$ 214,236</u>                                    | <u>\$ (287,491)</u>   |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>JAIL FUND</b>   |                  |           |  |   |
|--|------------------|-----------|--|---|
|  | Budgeted Amounts |           | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final     |  |   |
| <b>RECEIPTS</b>  |                  |           |  |   |
| Intergovernmental  | \$ 75,250        | \$ 75,250 | \$ 76,154                                  | \$ 904  |
| Interest Earned  | 6                | 6         | 43   | 37  |
| Total Receipts   | 75,256           | 75,256    | 76,397                                     | 1,141   |
| <b>DISBURSEMENTS</b>   |                  |           |  |   |
| Protection to Persons and Property   | 460,877          | 480,044   | 473,460                                    | 6,584   |
| Administration   | 65,206           | 86,320    | 60,580                                     | 25,740  |
| Total Disbursements  | 526,083          | 566,364   | 534,040                                    | 32,324  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (450,827)        | (491,108) | (457,643)                                  | 33,465  |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |           |  |   |
| Transfers From Other Funds   | 400,827          | 400,827   | 510,771                                    | 109,944   |
| Total Other Adjustments to Cash (Uses)   | 400,827          | 400,827   | 510,771                                    | 109,944   |
| Net Change in Fund Balance   | (50,000)         | (90,281)  | 53,128                                     | 143,409   |
| Fund Balance Beginning   | 50,000           | 91,181    | 91,182                                     | 1   |
| Fund Balance - Ending  | \$ 0             | \$ 900    | \$ 144,310                                 | \$ 143,410  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>   |                  |            |  |   |
|--|------------------|------------|--|---|
|  | Budgeted Amounts |            | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final      |  |   |
| <b>RECEIPTS</b>  |                  |            |  |   |
| Intergovernmental  | \$ 161,867       | \$ 250,138 | \$ 330,135                                 | \$ 79,997   |
| Miscellaneous  |                  |            | 50   | 50  |
| Interest   | 18               | 18         | 25   | 7   |
| Total Receipts   | 161,885          | 250,156    | 330,210                                    | 80,054  |
| <b>DISBURSEMENTS</b>   |                  |            |  |   |
| General Government   | 31,132           | 32,932     | 31,201                                     | 1,731   |
| Protection to Persons and Property   | 7,500            | 7,404      | 1,704                                      | 5,700   |
| General Health and Sanitation  | 37,000           | 37,000     | 32,076                                     | 4,924   |
| Social Services  | 1,300            | 830        |  | 830   |
| Administration   | 12,239           | 100,680    | 11,939                                     | 88,741  |
| Total Disbursements  | 89,171           | 178,846    | 76,920                                     | 101,926   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | 72,714           | 71,310     | 253,290                                    | 181,980   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |            |  |   |
| Transfers To Other Funds   | (117,792)        | (117,792)  | (257,700)                                  | (139,908)   |
| Total Other Adjustments to Cash (Uses)   | (117,792)        | (117,792)  | (257,700)                                  | (139,908)   |
| Net Change in Fund Balance   | (45,078)         | (46,482)   | (4,410)                                    | 42,072  |
| Fund Balance Beginning   | 45,078           | 45,078     | 42,390                                     | (2,688)   |
| Fund Balance - Ending  | \$ 0             | \$ (1,404) | \$ 37,980                                  | \$ 39,384   |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>STATE GRANT FUND</b>  |                         |              |  |   |
|--|-------------------------|--------------|--|---|
|  | <b>Budgeted Amounts</b> |              | <b>Actual<br/>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|  | <b>Original</b>         | <b>Final</b> |  |   |
| <b>RECEIPTS</b>  |                         |              |  |   |
| Intergovernmental  | \$ 773,774              | \$ 922,916   | \$ 785,304   | \$ (137,612)  |
| Total Receipts   | 773,774                 | 922,916      | 785,304  | (137,612)   |
| <b>DISBURSEMENTS</b>   |                         |              |  |   |
| General Government   |                         | 80,000       | 14,000   | 66,000  |
| Protection to Persons and Property   | 10,000                  | 36,665       | 36,664   | 1   |
| General Health and Sanitation  |                         | 69,142       | 50,000   | 19,142  |
| Debt Service   | 693,730                 | 693,730      | 665,813  | 27,917  |
| Administration   | 297,230                 | 270,565      |  | 270,565   |
| Total Disbursements  | 1,000,960               | 1,150,102    | 766,477  | 383,625   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (227,186)               | (227,186)    | 18,827   | 246,013   |
| Net Change in Fund Balance   | (227,186)               | (227,186)    | 18,827   | 246,013   |
| Fund Balance Beginning   | 227,186                 | 227,186      | 227,186  |   |
| Fund Balance - Ending  | \$ 0                    | \$ 0         | \$ 246,013   | \$ 246,013  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

|  | <b>FEDERAL GRANT FUND</b> |              |                                  |  |
|--|---------------------------|--------------|----------------------------------|--|
|  | Budgeted Amounts          |              | Actual                           | Variance with                          |
|  | Original                  | Final        | Amounts,<br>(Budgetary<br>Basis) | Final Budget<br>Positive<br>(Negative) |
| <b>RECEIPTS</b>  |                           |              |                                  |  |
| Intergovernmental  | \$ 219,600                | \$ 573,688   | \$ 1,471,953                     | \$ 898,265                             |
| Miscellaneous  |                           | 0            | 1,904                            | 1,904                                  |
| Total Receipts   | 219,600                   | 573,688      | 1,473,857                        | 900,169                                |
| <b>DISBURSEMENTS</b>   |                           |              |                                  |  |
| General Government   | 55,278                    | 262,082      | 62,080                           | 200,002                                |
| Protection to Persons and Property   | 74,000                    | 108,032      | 34,033                           | 73,999                                 |
| General Health and Sanitation  |                           | 4,892        | 4,892                            |  |
| Recreation and Culture   |                           | 47,500       | 10,007                           | 37,493                                 |
| Roads  | 227,157                   | 227,157      | 227,156                          | 1                                      |
| Debt Service   |                           | 500,000      | 80,861                           | 419,139                                |
| Administration   | 65,131                    | 125,991      |                                  | 125,991                                |
| Total Disbursements  | 421,566                   | 1,275,654    | 419,029                          | 125,991                                |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (201,966)                 | (701,966)    | 1,054,828                        | 1,026,160                              |
| <b>Other Adjustments to Cash (Uses)</b>  |                           |              |                                  |  |
| Transfers From Other Funds   | 136,835                   | 136,835      | 81,775                           | (55,060)                               |
| Transfers To Other Funds   |                           |              | (1,165,246)                      | (1,165,246)                            |
| Total Other Adjustments to Cash (Uses)   | 136,835                   | 136,835      | (1,083,471)                      | (1,220,306)                            |
| Net Change in Fund Balance   | (65,131)                  | (565,131)    | (28,643)                         | 536,488                                |
| Fund Balance Beginning   | 65,131                    | 65,131       | 65,131                           |  |
| Fund Balance - Ending  | \$ 0                      | \$ (500,000) | \$ 36,488                        | \$ 536,488                             |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>FIRE PROTECTION FUND</b>  |                  |          |   |
|--|------------------|----------|---|
|  | Budgeted Amounts |          | Actual<br>Amounts,<br>(Budgetary<br>Basis)              |
|  | Original         | Final    |   |
|  |                  |          | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| <b>DISBURSEMENTS</b>   |                  |          |   |
| Protection to Persons and Property   | \$ 1,704         | \$       | \$  |
| Total Disbursements  | 1,704            |          |   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (1,704)          |          |   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |          |   |
| 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   |                  | 1,704    | (1,704)   |
| Fund Balance Beginning   |                  |          |   |
| Fund Balance - Ending  | \$ 0             | \$ 1,704 | \$ 0  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>SOLID WASTE FUND</b>  |                  |           |  |   |
|--|------------------|-----------|--|---|
|  | Budgeted Amounts |           | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final     |  |   |
| <b>RECEIPTS</b>  |                  |           |  |   |
| Licenses and Permits   | \$ 37,500        | \$ 37,500 | \$ 25,799                                  | \$ (11,701)   |
| Intergovernmental  | 18,000           | 18,000    | 20,876                                     | 2,876   |
| Total Receipts   | 55,500           | 55,500    | 46,675                                     | (8,825)   |
| <b>DISBURSEMENTS</b>   |                  |           |  |   |
| General Health and Sanitation  | 48,000           | 63,261    | 59,936                                     | 3,325   |
| Administration   | 57,500           | 64,233    | 11,065                                     | 53,168  |
| Total Disbursements  | 105,500          | 127,494   | 71,001                                     | 56,493  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (50,000)         | (71,994)  | (24,326)                                   | 47,668  |
| Net Change in Fund Balance   | (50,000)         | (71,994)  | (24,326)                                   | 47,668  |
| Fund Balance Beginning   | 50,000           | 72,293    | 72,294                                     | 1   |
| Fund Balance - Ending  | \$ 0             | \$ 299    | \$ 47,968                                  | \$ 47,669   |



**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>OCCUPATIONAL TAX FUND</b>   |                  |              |  |   |
|--|------------------|--------------|--|---|
|  | Budgeted Amounts |              | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final        |  |   |
| <b>RECEIPTS</b>  |                  |              |  |   |
| Taxes  | \$ 1,404,800     | \$ 1,410,122 | \$ 1,554,284                               | \$ 144,162  |
| Miscellaneous  |                  | 24,879       | 4,686                                      | (20,193)  |
| Total Receipts   | 1,404,800        | 1,435,001    | 1,558,970                                  | 123,969   |
| <b>DISBURSEMENTS</b>   |                  |              |  |   |
| General Government   | 37,422           | 36,925       | 35,804                                     | 1,121   |
| Protection to Persons and Property   | 20,000           | 20,000       | 20,000                                     |   |
| General Health and Sanitation  | 43,000           | 46,498       | 38,086                                     | 8,412   |
| Social Services  | 50,000           | 50,000       | 50,000                                     |   |
| Recreation and Culture   | 160,692          | 187,192      | 160,581                                    | 26,611  |
| Administration   | 129,789          | 808,778      | 807,396                                    | 1,382   |
| Total Disbursements  | 440,903          | 1,149,393    | 1,111,867                                  | 37,526  |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | 963,897          | 285,608      | 447,103                                    | 161,495   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |              |  |   |
| Transfers From Other Funds   |                  |              | 20,243                                     | 20,243  |
| Transfers To Other Funds   | (1,026,897)      | (1,026,897)  | (865,000)                                  | 161,897   |
| Total Other Adjustments to Cash (Uses)   | (1,026,897)      | (1,026,897)  | (844,757)                                  | 182,140   |
| Net Change in Fund Balance   | (63,000)         | (741,289)    | (397,654)                                  | 343,635   |
| Fund Balance Beginning   | 63,000           | 550,396      | 550,397                                    | 1   |
| Fund Balance - Ending  | \$ 0             | \$ (190,893) | \$ 152,743                                 | \$ 343,636  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

|  | <b>HUD FUND</b>  |           |  |   |
|--|------------------|-----------|--|---|
|  | Budgeted Amounts |           | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final     |  |   |
| <b>RECEIPTS</b>  |                  |           |  |   |
| Miscellaneous  | \$ 4,000         | \$ 4,000  | \$ 5,420                                   | \$ 1,420  |
| Interest   | 60               | 60        | 85   | 25  |
| Total Receipts   | 4,060            | 4,060     | 5,505                                      | 1,445   |
| <b>DISBURSEMENTS</b>   |                  |           |  |   |
| Social Services  | 132,060          | 132,060   |  | 132,060   |
| Total Disbursements  | 132,060          | 132,060   |  | 132,060   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (128,000)        | (128,000) | 5,505                                      | 133,505   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |           |  |   |
| Transfers From Other Funds   |                  |           | 133,000                                    | 133,000   |
| Total Other Adjustments to Cash (Uses)   |                  |           | 133,000                                    | 133,000   |
| Net Change in Fund Balance   | (128,000)        | (128,000) | 138,505                                    | 266,505   |
| Fund Balance Beginning   | 128,000          | 128,000   | 128,134                                    | 134   |
| Fund Balance - Ending  | \$ 0             | \$ 0      | \$ 266,639                                 | \$ 266,639  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>EMERGENCY DISPATCH 911 FUND</b>   |                  |            |  |   |
|--|------------------|------------|--|---|
|  | Budgeted Amounts |            | Actual<br>Amounts,<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|  | Original         | Final      |  |   |
| <b>RECEIPTS</b>  |                  |            |  |   |
| Intergovernmental  | \$ 151,600       | \$ 151,600 | \$ 168,729                                 | \$ 17,129   |
| Charge for Services  | 250,000          | 250,000    | 247,404                                    | (2,596)   |
| Total Receipts   | 401,600          | 401,600    | 416,133                                    | 14,533  |
| <b>DISBURSEMENTS</b>   |                  |            |  |   |
| Protection to Persons and Property   | 289,550          | 348,247    | 324,183                                    | 24,064  |
| Administration   | 320,277          | 259,855    | 92,389                                     | 167,466   |
| Total Disbursements  | 609,827          | 608,102    | 416,572                                    | 191,530   |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (208,227)        | (206,502)  | (439)                                      | 206,063   |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |            |  |   |
| Transfers From Other Funds   |                  |            | 75,000                                     | 75,000  |
| Transfers To Other Funds   | (24,000)         | (24,000)   | (85,095)                                   | (61,095)  |
| Total Other Adjustments to Cash (Uses)   | (24,000)         | (24,000)   | (10,095)                                   | 13,905  |
| Net Change in Fund Balance   | (232,227)        | (230,502)  | (10,534)                                   | 219,968   |
| Fund Balance Beginning   | 232,227          | 232,227    | 247,927                                    | 15,700  |
| Fund Balance - Ending  | \$ 0             | \$ 1,725   | \$ 237,393                                 | \$ 235,668  |

**MARTIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

| <b>FEDERAL AMERICAN RESCUE PLAN ACT FUND</b>   |                  |              |                                  |  |
|--|------------------|--------------|----------------------------------|--|
|  | Budgeted Amounts |              | Actual                           | Variance with                          |
|  | Original         | Final        | Amounts,<br>(Budgetary<br>Basis) | Final Budget<br>Positive<br>(Negative) |
| <b>RECEIPTS</b>  |                  |              |                                  |  |
| Intergovernmental  | \$ 1,087,249     | \$ 1,087,249 | \$                               | \$ (1,087,249)                         |
| Interest   |                  |              | 437                              | 437                                    |
| Total Receipts   | 1,087,249        | 1,087,249    | 437                              | (1,086,812)                            |
| <b>DISBURSEMENTS</b>   |                  |              |                                  |  |
| General Government   |                  | 58,186       | 55,492                           | 2,694                                  |
| Recreation and Culture   |                  | 28,600       | 28,600                           |  |
| Administration   | 2,174,498        | 2,087,712    |                                  | 2,087,712                              |
| Total Disbursements  | 2,174,498        | 2,174,498    | 84,092                           | 2,090,406                              |
| Excess (Deficiency) of Receipts Over<br>Disbursements Before Other<br>Adjustments to Cash (Uses) | (1,087,249)      | (1,087,249)  | (83,655)                         | 1,003,594                              |
| <b>Other Adjustments to Cash (Uses)</b>  |                  |              |                                  |  |
| Transfers From Other Funds   |                  |              | 1,087,249                        | 1,087,249                              |
| Total Other Adjustments to Cash (Uses)   |                  |              | 1,087,249                        | 1,087,249                              |
| Net Change in Fund Balance   | (1,087,249)      | (1,087,249)  | 1,003,594                        | 2,090,843                              |
| Fund Balance Beginning   | 1,087,249        | 1,087,249    | 1,087,251                        | 2                                      |
| Fund Balance - Ending  | \$ 0             | \$ 0         | \$ 2,090,845                     | \$ 2,090,845                           |

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

**June 30, 2022**

**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 line item, exceeded budgeted appropriations by \$18,109.

THIS PAGE LEFT BLANK INTENTIONALLY

**MARTIN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2022**

THIS PAGE LEFT BLANK INTENTIONALLY



**MARTIN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2022**

| FEDERAL GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE  | FEDERAL<br>ASSISTANCE<br>LISTING | PASS THROUGH<br>ENTITY<br>IDENTIFYING<br>NUMBER | PROVIDED TO<br>SUBRECIPIENTS | TOTAL<br>FEDERAL<br>EXPENDITURES |
|--|----------------------------------|---|------------------------------|----------------------------------|
| <u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>   |                                  |   |                              |                                  |
| Rural Business Development Grant   | 10.351                           | Unknown   | \$                           | \$ 12,500                        |
| Community Facilities Loans And Grants  | 10.766                           | Unknown   |                              | 195,100                          |
| TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE  |                                  |   |                              | 207,600                          |
| <u>UNITED STATES DEPARTMENT OF THE TREASURY</u>  |                                  |   |                              |                                  |
| COVID-19 Coronavirus State And Local Fiscal Recovery Funds   | 21.027                           | Direct  |                              | 84,093                           |
| TOTAL UNITED STATES DEPARTMENT OF THE TREASURY   |                                  |   |                              | 84,093                           |
| <u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>   |                                  |   |                              |                                  |
| Passed through Kentucky Department of Military Affairs and Kentucky Emergency<br>Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036                           | FEMA-4595-DR-KY                                 |                              | 483,688 *                        |
| Passed through Kentucky Department of Military Affairs and Kentucky Emergency<br>Management (KYEM)   |                                  |   |                              |                                  |
| Emergency Management Performance Grants  | 97.042                           | SC095-2200000589                                |                              | 7,050                            |
| TOTAL UNITED STATES DEPARTMENT OF HOMELAND SECURITY  |                                  |   |                              | 490,738                          |
| TOTAL EXPENDITURES OF FEDERAL AWARDS   |                                  |   | \$ 0                         | \$ 782,431                       |

\* Due To Grant Modification \$56,017 Of Amount Reported Was Expended In Prior Year

The accompanying notes are an integral part of this schedule.

**MARTIN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**June 30, 2022**

**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, 2022. 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 not adopted an indirect rate and has not 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, 2022**

THIS PAGE LEFT BLANK INTENTIONALLY

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

**For The Year Ended June 30, 2022**

The fiscal court reports the following Schedule of Capital Assets:

|                          | Beginning<br>Balance     | Additions       | Deletions       | Ending<br>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                |
| <br>Total Capital Assets | <br><u>\$ 19,159,273</u> | <br><u>\$ 0</u> | <br><u>\$ 0</u> | <br><u>\$ 19,159,273</u> |

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

**June 30, 2022**

**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<br>Threshold | Useful Life<br>(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, 2022, 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 March 23, 2023.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

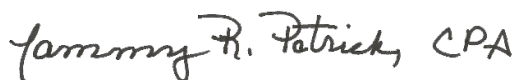
### **Views of Responsible Official and Planned Corrective Action**

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 response is not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,

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

March 23, 2023

**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**

*Opinion on Each Major Federal Program*

We have audited the Martin County Fiscal Court's compliance with the types of compliance requirements identified as subject to audit in the *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, 2022. 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.

In our opinion, Martin County Fiscal Court complied, in all material respects, with the 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, 2022.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Martin County Fiscal Court and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Martin County Fiscal Court's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Martin County Fiscal Court's federal programs.

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

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Martin County Fiscal Court's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Martin County Fiscal Court's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Martin County Fiscal Court's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Martin County Fiscal Court's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Martin County Fiscal Court's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

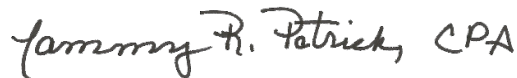
**Report on Internal Control over Compliance (Continued)**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Martin County Fiscal Court's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Martin County Fiscal Court's response was not subjected to the other 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

March 23, 2023

THIS PAGE LEFT BLANK INTENTIONALLY



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

**For The Year Ended June 30, 2022**

THIS PAGE LEFT BLANK INTENTIONALLY

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

**For The Year Ended June 30, 2022**

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

***Federal Awards***

Internal control over major programs:

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

Identification of major programs:

|  |   |
|--|---|
| <u>Federal Assistance Listing Number</u> | <u>Name of Federal Program or Cluster</u>                               |
| 97.036                                   | Disaster Grants - Public Assistance (Presidentially Declared Disasters) |

|  |                              |  |
|--|------------------------------|--|
| 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, 2022**  
**(Continued)**

**Section II: Financial Statement Findings**

2022-001 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 2021-003. During the year, there was a debt instrument where the principal and interest were paid on the county's behalf by another party totaling \$18,109. 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 \$18,109.

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 within the budget appropriation, 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's Response: Previous Administration. An appropriations transfer was made to rectify this in the October meeting to be incorporated into the 2023 budget. The Fiscal Court will start reporting the third-party loan in their annual budget.*

**Section III: Federal Award Findings And Questioned Costs**

None Noted.

**MARTIN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2022**  
**(Continued)**

**Section IV: Summary Schedule of Prior Audit Findings**

| Finding<br>Number | Prior Year Finding Title   | Status     | Corrective Action   |
|-------------------|--|------------|---|
| 2021-001          | The Martin County Fiscal Court Failed To Maintain Proper Controls Over The Procurement And Bidding Processes                                       | Resolved   |   |
| 2021-002          | The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes   | Resolved   |   |
| 2021-003          | The Martin County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget | Unresolved | See Corrective Action for current finding 2022-001                  |
| 2021-004          | The Martin County Fiscal Court Did Not Prepare An Accurate Schedule Of Expenditures Of Federal Awards  | Resolved   |   |
| 2021-005          | The Martin County Fiscal Court Submitted Ineligible Expenses For Federal Reimbursement From The Coronavirus Relief Fund                            | Resolved   | Grant no longer active during 2022 year, no similar findings noted. |

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, 2022**

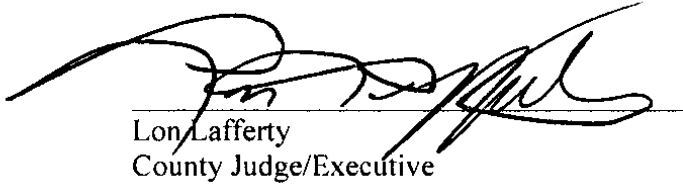
THIS PAGE LEFT BLANK INTENTIONALLY



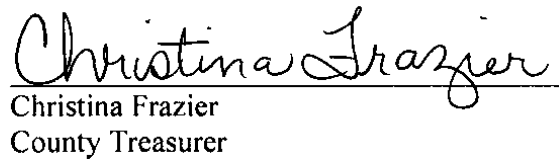
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS  
MARTIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2022

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.



Lon Lafferty  
County Judge/Executive



Christina Frazier  
County Treasurer