

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

**For The Year Ended
June 30, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
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, 2023.

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

A handwritten signature in cursive script that reads "Allison Ball".

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

Enclosure



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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
MARTIN COUNTY OFFICIALS.....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	13
BUDGETARY COMPARISON SCHEDULES.....	27
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	40
SCHEDULE OF CAPITAL ASSETS.....	43
NOTES TO OTHER INFORMATION - REGULATORY BASIS SCHEDULE OF CAPITAL ASSETS.....	44
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	47
SCHEDULE OF FINDINGS AND RESPONSES.....	51
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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Independent Auditor's Report

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Martin Fiscal Court, for the year ended June 30, 2023, 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 accompany 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, 2023, 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, 2023, 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.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the 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.

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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 are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2024, 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.

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Other Reporting Required by *Government Auditing Standards* (Continued)

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

- 2023-001 The Martin County Fiscal Court Failed To Implement Adequate Controls Over Debt Related Transactions That Resulted In Exceeding The Approved Budget
- 2023-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes
- 2023-003 The Martin County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Cash, Receipts, And Reporting Processes

Respectfully submitted,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

April 10, 2024

MARTIN COUNTY OFFICIALS
For The Year Ended June 30, 2023

Fiscal Court Members:

Lon Lafferty (Beginning October 28, 2022 to Present)	County Judge/Executive
Colby Kirk (Beginning January 10, 2022 to October 27, 2022)	County Judge/Executive
Junior Hunt Jr.	Magistrate
Kermit Howell	Magistrate
Cody Slone	Magistrate
Tracy Spence	Magistrate
Ronald Workman	Magistrate

Other Elected Officials:

Melissa F. Phelps	County Attorney
Bill Preece	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 April 19, 2023)	County Treasurer
Tammy Slone (Beginning April 20, 2023 to June 30, 2023)	County Treasurer

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

For The Year Ended June 30, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 582,663	\$	\$
Excess Fees	30,977		
Licenses and Permits			
Intergovernmental	349,609	1,168,227	77,131
Charges for Services			
Miscellaneous	441,499	164,316	
Interest	140	357	36
Total Receipts	<u>1,404,888</u>	<u>1,332,900</u>	<u>77,167</u>
DISBURSEMENTS			
General Government	1,423,032		
Protection to Persons and Property	54,429	470	445,781
General Health and Sanitation			
Social Services	1,616		
Recreation and Culture			
Roads		648,819	
Road Facilities		69,857	
Debt Service	17,283	71,744	
Administration	454,249	407,167	64,018
Total Disbursements	<u>1,950,609</u>	<u>1,198,057</u>	<u>509,799</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(545,721)</u>	<u>134,843</u>	<u>(432,632)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	422,517	472,680	350,000
Transfers To Other Funds		(197,517)	
Total Other Adjustments to Cash (Uses)	<u>422,517</u>	<u>275,163</u>	<u>350,000</u>
Net Change in Fund Balance	(123,204)	410,006	(82,632)
Fund Balance - Beginning (Restated)	313,608	214,236	144,727
Fund Balance - Ending	<u>\$ 190,404</u>	<u>\$ 624,242</u>	<u>\$ 62,095</u>
Composition of Fund Balance			
Bank Balance	\$ 216,106	\$ 637,736	\$ 63,670
Less: Outstanding Checks	(25,702)	(13,494)	(1,575)
Fund Balance - Ending	<u>\$ 190,404</u>	<u>\$ 624,242</u>	<u>\$ 62,095</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, 2023
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grant Fund	Federal Grant Fund	Solid Waste Fund	Occupational Tax Fund	HUD Fund
\$	\$	\$	\$	\$ 1,509,992	\$
740,368	691,727	1,013,039	28,958 23,331		
111	145	1	3	156	4,314 122
<u>740,479</u>	<u>691,872</u>	<u>1,013,040</u>	<u>52,292</u>	<u>1,510,148</u>	<u>4,436</u>
45,583				30,212	
1,704		8,968		17,585	
33,644	17,871	2,200	60,802	37,288	
				50,000	
586				185,830	
	720,474	420,698	11,595		
17,276			12,000	341,804	928
<u>98,793</u>	<u>738,345</u>	<u>431,866</u>	<u>84,397</u>	<u>662,719</u>	<u>928</u>
<u>641,686</u>	<u>(46,473)</u>	<u>581,174</u>	<u>(32,105)</u>	<u>847,429</u>	<u>3,508</u>
(150,000)		(472,680)		(425,000)	
<u>(150,000)</u>		<u>(472,680)</u>		<u>(425,000)</u>	
491,686	(46,473)	108,494	(32,105)	422,429	3,508
37,980	246,013	36,488	47,968	175,859	266,639
<u>\$ 529,666</u>	<u>\$ 199,540</u>	<u>\$ 144,982</u>	<u>\$ 15,863</u>	<u>\$ 598,288</u>	<u>\$ 270,147</u>
\$ 530,703	\$ 199,540	\$ 144,982	\$ 18,756	\$ 917,273	\$ 270,147
(1,037)			(2,893)	(318,985)	
<u>\$ 529,666</u>	<u>\$ 199,540</u>	<u>\$ 144,982</u>	<u>\$ 15,863</u>	<u>\$ 598,288</u>	<u>\$ 270,147</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, 2023
(Continued)

	Budgeted Funds			
	Emergency Dispatch 911 Fund	Clerk Permanent Storage Fund	Federal American Rescue Plan Act Fund	Opioid Settlement Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
Excess Fees				
Licenses and Permits				
Intergovernmental	156,893			
Charges for Services	243,557			
Miscellaneous		7,460		216,801
Interest	46	1	777	26
Total Receipts	<u>400,496</u>	<u>7,461</u>	<u>777</u>	<u>216,827</u>
DISBURSEMENTS				
General Government				7,287
Protection to Persons and Property	407,147			
General Health and Sanitation				
Social Services				
Recreation and Culture				
Roads				
Other Transportation Facilities and Services				
Debt Service				
Administration	110,957		631	2,540
Total Disbursements	<u>518,104</u>	<u> </u>	<u>631</u>	<u>9,827</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(117,608)</u>	<u>7,461</u>	<u>146</u>	<u>207,000</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(117,608)	7,461	146	207,000
Fund Balance - Beginning (Restated)	237,570		2,090,845	
Fund Balance - Ending	<u>\$ 119,962</u>	<u>\$ 7,461</u>	<u>\$ 2,090,991</u>	<u>\$ 207,000</u>
Composition of Fund Balance				
Bank Balance	\$ 126,962	\$ 7,461	\$ 2,090,991	\$ 207,000
Less: Outstanding Checks	(7,000)			
Ending Fund Balance	<u>\$ 119,962</u>	<u>\$ 7,461</u>	<u>\$ 2,090,991</u>	<u>\$ 207,000</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, 2023
(Continued)

<u>Unbudgeted Funds</u>		
<u>Volunteer Fire Department Fund</u>	<u>Public Properties Corporation Bond Fund</u>	<u>Total Funds</u>
\$	\$	\$ 2,092,655
		30,977
		28,958
		4,220,325
		243,557
		834,391
		1,920
		<u>7,452,783</u>
		1,506,114
		936,084
		151,805
		51,616
		186,416
		648,819
		69,857
		1,241,794
		<u>1,411,570</u>
		<u>6,204,075</u>
		1,248,708
		1,245,197
		<u>(1,245,197)</u>
		1,248,708
		<u>3,811,973</u>
\$ 15	\$ 25	\$ <u>5,060,681</u>
\$ 15	\$ 25	\$ 5,431,367
		<u>(370,686)</u>
\$ 15	\$ 25	\$ <u>5,060,681</u>

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.	LEASE	17
NOTE 5.	RECEIVABLES	17
NOTE 6.	LONG-TERM DEBT	17
NOTE 7.	EMPLOYEE RETIREMENT SYSTEM	20
NOTE 8.	DEFERRED COMPENSATION	23
NOTE 9.	INSURANCE	23
NOTE 10.	AGENCY TRUST FUNDS	23
NOTE 11.	RELATED PARTY TRANSACTIONS	24
NOTE 12.	PRIOR YEAR ADJUSTMENTS	24

**MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2023

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, 2023
(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.

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.

Clerk Permanent Storage Fund - The primary purpose of this fund is to account for receipts and disbursements of funds relating to the county clerk's office for storage and expenses.

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.

Opioid Settlement Fund - The primary purpose of this fund is to account for the opioid settlement receipts and disbursements.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

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, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

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.

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.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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

G. Long-term Obligations

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

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, 2023, 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 2023.

	Local Government				Total
	Road Fund	Economic Assistance Fund	Occupational Tax Fund	Federal Grant Fund	Transfers In
General Fund	\$ 197,517	\$	\$ 225,000	\$	\$ 422,517
Road Fund				472,680	472,680
Jail Fund		150,000	200,000		350,000
Total Transfers Out	\$ 197,517	\$ 150,000	\$ 425,000	\$ 472,680	\$1,245,197

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 3. Transfers (Continued)

Reason for transfers:

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

Note 4. Lease

Lessor

During the current fiscal year, the Martin County Fiscal Court leased office space to 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 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, 2023, related to this lease. As of June 30, 2023, the Martin County Fiscal Court's receivable for lease payments was \$23,008.

Note 5. Receivable- Martin County Water District

In July 2005, the Martin County Fiscal Court issued financing obligations of \$200,000 to the Martin County Water District. The financing proceeds were paid directly to the water district. The water district makes the lease payments directly to the trustee of the lease to pay the principal and interest. The receivable reflects the principal amount due from the Martin County Water District of \$26,222 outstanding as of June 30, 2023. (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 20th of each year with a final payment due in March 2025.

The lease contains provisions that in an event of default the following (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 the 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, 2023
(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, 2023, the principal balance amount outstanding corresponds to the receivable due to the county (as outlined in Note 5A). As of June 30, 2023, the principal amount outstanding was \$26,222. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2024	\$ 15,000	\$ 1,459
2025	11,222	630
Totals	<u>\$ 26,222</u>	<u>\$ 2,089</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 we may repossess the units by giving written notice to deliver the units to CAT Financial in the manner provided, or in the event of failure to do so within (10) days after receipt of such notice, and subject to all applicable laws, CAT Financial may enter upon the premises and take possession of the units. The principal amount of the lease was \$221,350. The agreement requires variable monthly payments for five years to be paid in full August 6, 2025. As of June 30, 2023, the principal amount outstanding was \$55,789. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2024	\$ 47,654	\$ 1,444
2025	8,135	49
Totals	<u>\$ 55,789</u>	<u>\$ 1,493</u>

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Long-term Debt (Continued)

B. 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, 2023, the principal amount outstanding was \$7,388,750. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2024	\$ 352,500	\$ 295,044
2025	365,000	284,469
2026	377,500	271,669
2027	392,500	256,569
2028	410,000	240,869
2028-2032	2,327,500	943,945
2033-2037	2,872,500	431,153
2038-2039	291,250	13,200
Totals	<u>\$ 7,388,750</u>	<u>\$ 2,736,918</u>

4. Flood Relief

On May 21, 2021, the Martin County Fiscal Court entered into a lease agreement with Kentucky Association of Counties (KACO) for funding assistance due flooding in the county. The principal amount of the lease was \$500,000. The agreement requires fixed monthly payments beginning in July 2023, 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, 2023, this agreement was paid in full.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 6. Long-term Debt (Continued)

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 8,319,370	\$	\$ 848,609	\$ 7,470,761	\$ 415,154
Total Long-term Debt	<u>\$ 8,319,370</u>	<u>\$ 0</u>	<u>\$ 848,609</u>	<u>\$ 7,470,761</u>	<u>\$ 415,154</u>

C. Aggregate Debt Schedule

The amounts of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	<u>Direct Borrowings and Direct Placements</u>	
	Principal	Interest
2024	\$ 415,154	\$ 297,947
2025	384,357	285,148
2026	377,500	271,669
2027	392,500	256,569
2028	410,000	240,869
2028-2032	2,327,500	943,945
2033-2037	2,872,500	431,153
2028-2039	291,250	13,200
Totals	<u>\$ 7,470,761</u>	<u>\$ 2,740,500</u>

Note 7. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems. 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, 2023, the Kentucky Retirement Systems as an agency of the Commonwealth is now known as the Kentucky Public Pensions Authority (KPPA). The governance of CERS has been transferred to a separate 9-member board of trustees that is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2021 was \$321,821, FY 2022 was \$372,222 and FY 2023 was \$392,828.

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Nonhazardous

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

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

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

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

The county's contribution rate for nonhazardous employees was 26.79 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

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

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

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

Benefits are covered under KRS 161.714 with exception of COLA and retiree health benefits after July 2003.

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 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

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

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

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

E. Death Benefit

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

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Employee Retirement System (Continued)

KRS Annual Financial Report and Proportionate Share Audit Report

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

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

Note 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, 2023, the Martin County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 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:

MARTIN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 10. Agency Trust Funds (Continued)

Non Structural Flood Control - The primary purpose of this fund is to account for the Martin County Fiscal Court writing checks for the city of Inez. Since this fund is a fiduciary fund in nature, it is not represented in the financial statement. The balance in the non-structural flood control fund as of June 30, 2023, was \$113,435.

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, 2023, was \$486.

Note 11. Related Party Transactions

For the fiscal year ending June 30, 2023, the fiscal court did business with a cleaning service that employs one of the magistrates (termed ended December 31, 2022). The fiscal court spent \$46,066 for these cleaning services for this fiscal year.

For the fiscal year ending June 30, 2023, the fiscal court did business with a trucking company that is owned by a parent of the county attorney. The total disbursed to the trucking company during the year was \$79,900.

Note 12. Prior Year Adjustments

The prior year ending fund balance was increased due to prior year voided checks in the general fund, jail fund, occupational tax fund, and the emergency dispatch 911 fund by \$63, \$417, \$23,116, and \$177, respectively.

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

For The Year Ended June 30, 2023

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MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 507,334	\$ 507,334	\$ 582,663	\$ 75,329
Excess Fees			30,977	30,977
Intergovernmental	178,100	189,388	349,609	160,221
Miscellaneous	388,045	397,735	441,499	43,764
Interest	75	75	140	65
Total Receipts	<u>1,073,554</u>	<u>1,094,532</u>	<u>1,404,888</u>	<u>310,356</u>
DISBURSEMENTS				
General Government	1,340,120	1,478,743	1,423,032	55,711
Protection to Persons and Property	52,610	50,710	54,429	(3,719)
General Health and Sanitation	200	200		200
Social Services	1,650	1,650	1,616	34
Debt Service		383	17,283	(16,900)
Administration	547,915	489,637	454,249	35,388
Total Disbursements	<u>1,942,495</u>	<u>2,021,323</u>	<u>1,950,609</u>	<u>70,714</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(868,941)</u>	<u>(926,791)</u>	<u>(545,721)</u>	<u>381,070</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>683,375</u>	<u>683,375</u>	<u>422,517</u>	<u>(260,858)</u>
Total Other Adjustments to Cash (Uses)	<u>683,375</u>	<u>683,375</u>	<u>422,517</u>	<u>(260,858)</u>
Net Change in Fund Balance	(185,566)	(243,416)	(123,204)	120,212
Fund Balance - Beginning (Restated)	<u>185,566</u>	<u>243,416</u>	<u>313,608</u>	<u>70,192</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 190,404</u>	<u>\$ 190,404</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,607,887	\$ 1,647,923	\$ 1,168,227	\$ (479,696)
Miscellaneous		158,195	164,316	6,121
Interest	150	150	357	207
Total Receipts	<u>1,608,037</u>	<u>1,806,268</u>	<u>1,332,900</u>	<u>(473,368)</u>
DISBURSEMENTS				
Protection to Persons and Property	470	470	470	
Roads	1,576,847	1,408,790	648,819	759,971
Road Facilities		69,857	69,857	
Debt Service	87,216	87,716	71,744	15,972
Administration	245,138	551,216	407,167	144,049
Total Disbursements	<u>1,909,671</u>	<u>2,118,049</u>	<u>1,198,057</u>	<u>919,992</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(301,634)</u>	<u>(311,781)</u>	<u>134,843</u>	<u>446,624</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	313,936	313,936	472,680	158,744
Transfers To Other Funds	(197,517)	(197,517)	(197,517)	
Total Other Adjustments to Cash (Uses)	<u>116,419</u>	<u>116,419</u>	<u>275,163</u>	<u>158,744</u>
Net Change in Fund Balance	(185,215)	(195,362)	410,006	605,368
Fund Balance Beginning	<u>185,215</u>	<u>195,362</u>	<u>214,236</u>	<u>18,874</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 624,242</u>	<u>\$ 624,242</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 75,915	\$ 75,915	\$ 77,131	\$ 1,216
Interest Earned	20	20	36	16
Total Receipts	<u>75,935</u>	<u>75,935</u>	<u>77,167</u>	<u>1,232</u>
DISBURSEMENTS				
Protection to Persons and Property Administration	496,467	511,567	445,781	65,786
	64,020	82,471	64,018	18,453
Total Disbursements	<u>560,487</u>	<u>594,038</u>	<u>509,799</u>	<u>84,239</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(484,552)</u>	<u>(518,103)</u>	<u>(432,632)</u>	<u>85,471</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	373,797	373,797	350,000	(23,797)
Total Other Adjustments to Cash (Uses)	<u>373,797</u>	<u>373,797</u>	<u>350,000</u>	<u>(23,797)</u>
Net Change in Fund Balance	(110,755)	(144,306)	(82,632)	61,674
Fund Balance - Beginning (Restated)	<u>110,755</u>	<u>144,306</u>	<u>144,727</u>	<u>421</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,095</u>	<u>\$ 62,095</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 146,316	\$ 146,316	\$ 740,368	\$ 594,052
Interest	50	50	111	61
Total Receipts	<u>146,366</u>	<u>146,366</u>	<u>740,479</u>	<u>594,113</u>
DISBURSEMENTS				
General Government	29,047	58,607	45,583	13,024
Protection to Persons and Property	9,204	9,144	1,704	7,440
General Health and Sanitation	37,000	41,000	33,644	7,356
Social Services	1,300	1,300		1,300
Recreation and Culture		3,500	586	2,914
Administration	20,027	20,027	17,276	2,751
Total Disbursements	<u>96,578</u>	<u>133,578</u>	<u>98,793</u>	<u>34,785</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>49,788</u>	<u>12,788</u>	<u>641,686</u>	<u>628,898</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(87,870)</u>	<u>(87,870)</u>	<u>(150,000)</u>	<u>(62,130)</u>
Total Other Adjustments to Cash (Uses)	<u>(87,870)</u>	<u>(87,870)</u>	<u>(150,000)</u>	<u>(62,130)</u>
Net Change in Fund Balance	(38,082)	(75,082)	491,686	566,768
Fund Balance Beginning	38,082	38,082	37,980	(102)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (37,000)</u>	<u>\$ 529,666</u>	<u>\$ 566,666</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	STATE GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 824,486	\$ 824,486	\$ 691,727	\$ (132,759)
Interest			145	145
Total Receipts	<u>824,486</u>	<u>824,486</u>	<u>691,872</u>	<u>(132,614)</u>
DISBURSEMENTS				
Protection to Persons and Property	10,000	10,000		10,000
General Health and Sanitation		17,871	17,871	
Debt Service	693,730	720,630	720,474	156
Administration	297,230	321,998		321,998
Total Disbursements	<u>1,000,960</u>	<u>1,070,499</u>	<u>738,345</u>	<u>332,154</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(176,474)</u>	<u>(246,013)</u>	<u>(46,473)</u>	<u>199,540</u>
Net Change in Fund Balance	(176,474)	(246,013)	(46,473)	199,540
Fund Balance Beginning	<u>176,474</u>	<u>246,013</u>	<u>246,013</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 199,540</u>	<u>\$ 199,540</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	FEDERAL GRANT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 823,363	\$ 823,363	\$ 1,013,039	\$ 189,676
Miscellaneous		0	1	1
Total Receipts	<u>823,363</u>	<u>823,363</u>	<u>1,013,040</u>	<u>189,677</u>
DISBURSEMENTS				
Protection to Persons and Property	79,000	79,000	8,968	70,032
General Health and Sanitation		2,200	2,200	
Debt Service	419,139	420,698	420,698	
Administration	63,631	183,365		183,365
Total Disbursements	<u>561,770</u>	<u>685,263</u>	<u>431,866</u>	<u>183,365</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>261,593</u>	<u>138,100</u>	<u>581,174</u>	<u>373,042</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	27,500	27,500		(27,500)
Transfers To Other Funds	<u>(313,936)</u>	<u>(313,936)</u>	<u>(472,680)</u>	<u>(158,744)</u>
Total Other Adjustments to Cash (Uses)	<u>(286,436)</u>	<u>(286,436)</u>	<u>(472,680)</u>	<u>(186,244)</u>
Net Change in Fund Balance	(24,843)	(148,336)	108,494	256,830
Fund Balance Beginning	<u>24,843</u>	<u>148,336</u>	<u>36,488</u>	<u>(111,848)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 144,982</u>	<u>\$ 144,982</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	SOLID WASTE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 37,500	\$ 37,500	\$ 28,958	\$ (8,542)
Intergovernmental	18,000	18,000	23,331	5,331
Interest			3	3
Total Receipts	<u>55,500</u>	<u>55,500</u>	<u>52,292</u>	<u>(3,208)</u>
DISBURSEMENTS				
General Health and Sanitation	66,000	76,243	60,802	15,441
Debt Service	12,972	12,972	11,595	1,377
Administration	28,278	18,035	12,000	6,035
Total Disbursements	<u>107,250</u>	<u>107,250</u>	<u>84,397</u>	<u>22,853</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(51,750)</u>	<u>(51,750)</u>	<u>(32,105)</u>	<u>19,645</u>
Net Change in Fund Balance	(51,750)	(51,750)	(32,105)	19,645
Fund Balance Beginning	51,750	51,750	47,968	(3,782)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,863</u>	<u>\$ 15,863</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	OCCUPATIONAL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,409,000	\$ 1,409,000	\$ 1,509,992	\$ 100,992
Interest			156	156
Total Receipts	<u>1,409,000</u>	<u>1,409,000</u>	<u>1,510,148</u>	<u>101,148</u>
DISBURSEMENTS				
General Government	44,609	44,609	30,212	14,397
Protection to Persons and Property	16,000	20,000	17,585	2,415
General Health and Sanitation	49,000	49,000	37,288	11,712
Social Services	50,000	50,000	50,000	
Recreation and Culture	200,798	200,298	185,830	14,468
Administration	422,282	441,898	341,804	100,094
Total Disbursements	<u>782,689</u>	<u>805,805</u>	<u>662,719</u>	<u>143,086</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>626,311</u>	<u>603,195</u>	<u>847,429</u>	<u>244,234</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(771,785)</u>	<u>(771,785)</u>	<u>(425,000)</u>	<u>346,785</u>
Total Other Adjustments to Cash (Uses)	<u>(771,785)</u>	<u>(771,785)</u>	<u>(425,000)</u>	<u>346,785</u>
Net Change in Fund Balance	(145,474)	(168,590)	422,429	591,019
Fund Balance - Beginning (Restated)	<u>145,474</u>	<u>168,590</u>	<u>175,859</u>	<u>7,269</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 598,288</u>	<u>\$ 598,288</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	HUD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,528	\$ 3,528	\$ 4,314	\$ 786
Interest	120	120	122	2
Total Receipts	<u>3,648</u>	<u>3,648</u>	<u>4,436</u>	<u>788</u>
DISBURSEMENTS				
Social Services	264,148	264,148		264,148
Administration			928	(928)
Total Disbursements	<u>264,148</u>	<u>264,148</u>	<u>928</u>	<u>263,220</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(260,500)</u>	<u>(260,500)</u>	<u>3,508</u>	<u>264,008</u>
Net Change in Fund Balance	(260,500)	(260,500)	3,508	264,008
Fund Balance Beginning	<u>260,500</u>	<u>260,500</u>	<u>266,639</u>	<u>6,139</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 270,147</u>	<u>\$ 270,147</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	EMERGENCY DISPATCH 911 FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 151,600	\$ 151,600	\$ 156,893	\$ 5,293
Charge for Services	250,000	250,000	243,557	(6,443)
Interest			46	46
Total Receipts	<u>401,600</u>	<u>401,600</u>	<u>400,496</u>	<u>(1,104)</u>
DISBURSEMENTS				
Protection to Persons and Property	383,966	422,966	407,147	15,819
Administration	191,283	178,662	110,957	67,705
Total Disbursements	<u>575,249</u>	<u>601,628</u>	<u>518,104</u>	<u>83,524</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(173,649)</u>	<u>(200,028)</u>	<u>(117,608)</u>	<u>82,420</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(27,500)</u>	<u>(27,500)</u>		<u>27,500</u>
Total Other Adjustments to Cash (Uses)	<u>(27,500)</u>	<u>(27,500)</u>		<u>27,500</u>
Net Change in Fund Balance	(201,149)	(227,528)	(117,608)	109,920
Fund Balance - Beginning (Restated)	<u>201,149</u>	<u>227,528</u>	<u>237,570</u>	<u>10,042</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,962</u>	<u>\$ 119,962</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

CLERK PERMANENT STORAGE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 7,460	\$ 2,460
Interest	20	20	1	(19)
Total Receipts	<u>5,020</u>	<u>5,020</u>	<u>7,461</u>	<u>2,441</u>
DISBURSEMENTS				
General Government	5,020	5,020		5,020
Total Disbursements	<u>5,020</u>	<u>5,020</u>		<u>5,020</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>7,461</u>	<u>7,461</u>
Net Change in Fund Balance			7,461	7,461
Fund Balance Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,461</u>	<u>\$ 7,461</u>

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	FEDERAL AMERICAN RESCUE PLAN ACT FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 300	\$ 300	\$ 777	\$ 477
Total Receipts	300	300	777	477
DISBURSEMENTS				
Administration	2,091,132	2,091,132	631	2,090,501
Total Disbursements	2,091,132	2,091,132	631	2,090,501
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,090,832)	(2,090,832)	146	2,090,978
Net Change in Fund Balance	(2,090,832)	(2,090,832)	146	2,090,978
Fund Balance Beginning	2,090,832	2,090,832	2,090,845	13
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,090,991	\$ 2,090,991

MARTIN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

OPIOID SETTLEMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 216,801	\$ 216,801
Interest			26	26
Total Receipts			<u>216,827</u>	<u>216,827</u>
DISBURSEMENTS				
General Government		14,700	7,287	7,413
Administration		5,300	2,540	2,760
Total Disbursements		<u>20,000</u>	<u>9,827</u>	<u>10,173</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)		<u>(20,000)</u>	<u>207,000</u>	<u>227,000</u>
Net Change in Fund Balance		(20,000)	207,000	227,000
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 207,000	\$ 227,000

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

June 30, 2023

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, protection to persons and property disbursements, exceeded budgeted appropriations by \$3,719.

The general fund, debt service disbursements, exceeded budgeted appropriations by \$16,900.

The HUD fund, administration disbursements, exceeded budgeted appropriations by \$928.

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

For The Year Ended June 30, 2023

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MARTIN COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

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

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

June 30, 2023

Note 1. Capital Assets

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

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

Note 2. Capital Assets Schedule

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

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

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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, 2023, 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 April 10, 2024.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-003 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002 to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

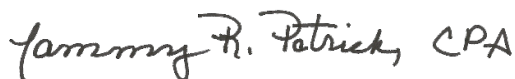
Views of Responsible Officials and Planned Corrective Action

Martin County's views and planned corrective action for the finding identified in our audit is included in the accompanying Schedule of Findings and Responses. 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,



Tammy R. Patrick, CPA
Patrick & Associates, LLC

April 10, 2024

**MARTIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

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**MARTIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2023-001 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 2022-001. During the year, there was a debt instrument where the principal and interest was paid on the county's behalf by another party totaling \$17,283. 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 \$16,900.

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 appropriations, shall be void." KRS 68.280 gives fiscal courts the ability to amend the budget when necessary, which would have prevented appropriations from exceeding the approved budget. Because the fiscal court is obligated for these financing obligations, all debt should be budgeted for and recorded.

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

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This item was set up by the previous administration. We are going to add the line-item in our upcoming budget and create a journal entry with a debit and credit to show that the liability payment was covered.

2023-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes

The budget amendments were not properly recorded in the fourth quarter financial report. Also, interfund transfers did not balance and therefore resulted in an unbalanced budget of \$57,000. Furthermore, the county exceeded line-item budget appropriations in several instances.

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

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

**MARTIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2023-002 The Martin County Fiscal Court Did Not Have Effective Internal Controls, Review Procedures, And Oversight For The Budget And Reporting Processes (Continued)

KRS 68.210 states, “[t]he administration of the county uniform budget system shall be under the supervision of the state local finance officer who may inspect and shall supervise the administration of accounts and financial operations and shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The *County Budget Preparation and State Local Finance Officer Policy Manual* requires county officials to submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and expenditures. The fourth quarter financial report must agree to the original budget and budget amendments submitted to and approved by the Department for Local Government (DLG). In addition, the *County Budget Preparation and State Local Finance Officer Policy Manual* states that “purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made”.

We recommend the fiscal court implement effective internal controls, oversight, and review procedures to ensure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget. We also recommend that necessary line-item transfers be performed as necessary to ensure budget appropriations are available.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This was an oversight of all the changes in administration. We will make sure all necessary line-item transfers be performed as necessary to ensure budget appropriations are available. We will make sure all budgeted amounts reflected on the fourth quarter financial report are complete and accurate and agree to the original budget.

INTERNAL CONTROL - MATERIAL WEAKNESS:

2023-003 The Martin County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Cash, Receipts, And Reporting Processes

The Martin County Fiscal Court does not have adequate segregation of duties over cash, receipts, and reporting processes. The county treasurer prepares deposits tickets and posts receipts to the receipt ledger for all receipts for all funds without any documented review from an independent party. Occupational tax department receives and deposit receipts for all collections without any documented review from an independent party. The county’s financial statement also does not appear to be properly reviewed prior to submission. This condition is a result of a limited budget, which restricts the number of employees the fiscal court can hire or delegate duties to and the failure to implement compensating controls.

A lack of segregation of duties increases the risk of misappropriation of assets, errors, and inaccurate financial reporting. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that a misstatement could occur and go undetected.

We recommend the fiscal court implement segregation of duties over cash, receipts, and the reporting processes. If this is not possible due to a lack of staff, then the fiscal court should implement compensating controls.

**MARTIN COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

2023-003 The Martin County Fiscal Court Does Not Have Adequate Segregation Of Duties Over Cash, Receipts, And Reporting Processes (Continued)

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Judge/Executive Secretary logs all checks and monies. After the Treasurer makes the deposits, she will print a report showing the deposits with the deposit slip from the bank on all deposits including the occupational tax deposits for the Secretary to check with her log and sign off on. Also, the Finance Officer will check over it and initial the deposit slip from the bank. The Occupational Tax Administrator also has the Judge/Executive Secretary sign off on her paperwork.

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

MARTIN COUNTY FISCAL COURT

For The Year Ended June 30, 2023

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CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

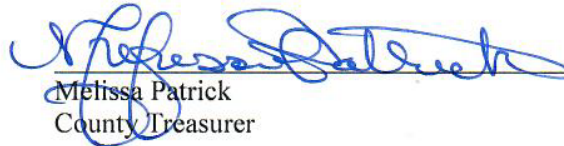
MARTIN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2023

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



Melissa Patrick
County Treasurer