

**REPORT OF THE AUDIT OF THE
KENTUCKY RECLAMATION GUARANTY FUND**

**For The Fiscal Year Ended
June 30, 2020**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT 1

BALANCE SHEET - MODIFIED CASH BASIS..... 5

STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS 6

NOTES TO THE FINANCIAL STATEMENTS..... 9

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*..... 19



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Danielle Crosman, Executive Director
Office of the Kentucky Reclamation Guaranty Fund
300 Sower Blvd.
Frankfort, Kentucky 40601

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Kentucky Reclamation Guaranty Fund (KRGF), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KRGF's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

KRGF's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the KRGF, as of June 30, 2020, and the respective changes in financial position – modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of KRGF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 KRGF's internal control over financial reporting and compliance.

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

September 29, 2020

FINANCIAL STATEMENTS

**KENTUCKY RECLAMATION GUARANTY FUND
BALANCE SHEET - MODIFIED CASH BASIS
JUNE 30, 2020**

	<u>Office of the Reclamation Guaranty Fund</u>	<u>Kentucky Reclamation Guaranty Fund</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 43,476	\$ 53,005,714	\$ 53,049,190
Total Assets	<u>\$ 43,476</u>	<u>\$ 53,005,714</u>	<u>\$ 53,049,190</u>
Fund Balance			
Restricted (See Note 2)	\$ 43,476	\$ 53,005,714	\$ 53,049,190
Total Fund Balance	<u>43,476</u>	<u>53,005,714</u>	<u>53,049,190</u>
Total Liabilities and Fund Balance	<u>\$ 43,476</u>	<u>\$ 53,005,714</u>	<u>\$ 53,049,190</u>

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

**KENTUCKY RECLAMATION GUARANTY FUND
STATEMENT OF RECEIPTS, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020**

Receipts	Office of the Reclamation Guaranty Fund	Kentucky Reclamation Guaranty Fund	Total
Tonnage Receipts	\$	\$ 1,403,730	\$ 1,403,730
Registration Fees		40,000	40,000
Bond Forfeitures		1,576,330	1,576,330
Fines and Late Fees		151,304	151,304
Interest Income	2,120	1,191,543	1,193,663
Federal Receipts	3,381		3,381
Indirect Operating Credit	27,903		27,903
Total Receipts	33,404	4,362,907	4,396,311
Expenditures			
Professional Services	229,846		229,846
Salaries & Wages	69,741		69,741
Fringe Benefits	74,332		74,332
Maintenance and Supplies	23,441		23,441
Rent	21,139		21,139
Commission Per Diem	3,300		3,300
Postage and Printing Services	3,147		3,147
Utilities	4,540		4,540
Other Personnel Costs	1,689		1,689
Miscellaneous	218		218
Internal Computer Service	826		826
Commodities	352		352
Conferences and Training	166		166
Total Expenditures	432,737		432,737
Other Financing Sources (Uses)			
Transfers In	384,800		384,800
Transfers Out		(384,800)	(384,800)
Total Other Financing Sources (Uses)	384,800	(384,800)	
Net Change in Fund Balance	(14,533)	3,978,107	3,963,574
Fund balance at July 1, 2019	58,009	49,027,607	49,085,616
Fund balance at June 30, 2020	\$ 43,476	\$ 53,005,714	\$ 53,049,190

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

NOTES TO THE FINANCIAL STATEMENTS

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 – Nature of Organization

The Kentucky Reclamation Guaranty Fund

The Kentucky Reclamation Guaranty Fund (KRGF) was established July 1, 2013 by the Kentucky General Assembly through House Bill 66 and codified at KRS 350.500 – 350.521. KRGF is an interest bearing account that was created for the purpose of providing additional monies for the reclamation of forfeited coal mining operations where the permit specific performance bonds are insufficient for the Commonwealth to complete reclamation to program standards. Participation in KRGF is mandatory for all companies mining coal in the Commonwealth, with certain exclusions.

The initial capitalization of KRGF was provided by the assets of the former voluntary Kentucky Bond Pool that was abolished by House Bill 66 in fiscal year 2013.

Oversight and governance of KRGF is maintained by a seven member commission known as the Kentucky Reclamation Guaranty Fund Commission. Members are appointed by the Governor and represent the Energy and Environment Cabinet as well as the coal and financial industries. Members of the coal industry represent small, medium, and large coal producers with respect to the tonnage mined on an annual basis. Representatives from the financial industry have experience related to the coal industry. The members are appointed to various terms of two, three and four years.

The Office of the Reclamation Guaranty Fund

The Office of the Reclamation Guaranty Fund (ORGF) performs administrative functions on behalf of the KRGF Commission. These duties include:

- The review and assignment of classification of mine types on an annual basis;
- Processing fee payments resulting from the annual classifications;
- Notification to mining companies of penalties and permit suspensions for late or non-payment of fees;
- Reporting annually to the Governor and Interim Joint Committee on Natural Resources and Environment;
- Implementation of audits and actuarial studies on an annual basis regarding the financial status and solvency of KRGF; and
- Processing claims for additional monies necessary to complete reclamation of forfeited mine permits.

ORGF is funded by a combination of KRGF monies and annual grants from the U. S. Office of Surface Mining, Reclamation and Enforcement; no monies are received from Kentucky's General Fund.

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies of KRGF is presented to assist in understanding KRGF's financial statements. The financial statements and notes are the representation of KRGF's management, who is responsible for their integrity and objectivity. These accounting policies conform to the cash basis of accounting described below and have been consistently applied in the presentation of the financial statements.

Reporting Entity

For purposes of this report, the reporting entity is KRGF. The objectives of KRGF encompass ORGF and therefore ORGF financial activity is presented as well.

Basis of Presentation

The accompanying financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This statute provides that for a period of thirty (30) days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Receipts

KRGF is maintained through onetime membership fees paid by participating companies, the annual assessment and collection of coal tonnage and acre fees from those entities, late fees collected from overdue payments, accrued interest on monies in KRGF and a share of monies collected from the Division of Mine Reclamation and Enforcement for violations and penalties issued. KRGF also receives the proceeds from the forfeitures of reclamation bonds, initially provided by coal companies to guarantee reclamation on mine sites; however, these moneys are specifically earmarked for those forfeited permits.

Restricted Fund Balances of ORGF and KRGF

The fund balances for both ORGF and KRGF represent the difference between assets and liabilities reported on their respective balance sheets. In accordance with KRS 350.503(6), "any moneys remaining in the fund at the close of a fiscal year shall not lapse, but shall be carried forward into the succeeding fiscal year for use as provided in this section" (to assist in the reclamation of forfeited mine sites).

Funds are restricted, in accordance with KRS 350.503, for the purpose of reclamations, compensating the Energy and Environment Cabinet for administration costs, funding audits and actuarial studies, and covering operating and legal expenses of the Reclamation Guaranty Fund Commission.

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 3 – Cash and Cash Equivalents

Participation in the Commonwealth’s Internal Cash and Investment Pool

Agency receipts are deposited in the Commonwealth’s general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. KRGF participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth’s internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky’s Comprehensive Annual Financial Report. Accordingly, the Commonwealth of Kentucky’s Comprehensive Annual Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2020, KRGF’s position in the pool totaled \$53,005,714 and ORGF’s position in the pool totaled \$43,476.

Note 4 – Reclamation Liability

An actuarial analysis of KRGF was issued in May 2020. This report analyzed projected reclamation costs in various scenarios based on numerous assumptions which are detailed in the report. Because the statements are prepared on a modified cash basis, any potential reclamation liability and corresponding claims expense is not incurred or presented in the financial statements. For inquiries regarding this report, contact ORGF.

Note 5 – Transfers

The Transfers In on the financial statements to ORGF relate to incoming transfers from KRGF for ORGF operating expenditures.

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 6 – Retirement and Other Post Employment Benefit Plans

The employees of ORGF participate in the Kentucky Employees Retirement Systems (KERS) of the Commonwealth of Kentucky, which is a cost-sharing, multiple-employer, defined benefit pension and other post-employment benefits (OPEB) plan covering substantially all regular full-time employees. The plan provides retirement, disability, and death benefits to plan members. KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature.

Employees who retire at or after age 65 with 48 months of credited service are entitled to a retirement benefit based on a range of 1.97% to 2.0% of their final average salary multiplied by their years of service. Final average salary is the employee's average of the three or five fiscal years during which the employee had the highest average monthly salary. Benefits fully vest on reaching five years of service. Vested employees may retire after 27 years of service and receive full benefits; or retire after age 55 and receive reduced benefits. KERS also provides death and disability benefits. Benefits are established by Kentucky Revised Statutes.

The ORGF portion of payroll for employees, who are all covered by KERS, for the year ended June 30, 2020 totaled \$69,741. Employees hired before September 1, 2008 are required by state statute to contribute 5.00% of their salary to KERS. For fiscal year 2020, ORGF is required by the same statute to contribute 71.03% of the covered employees' salaries for pensions and 12.40% for OPEB. The contribution requirement for the year ended June 30, 2020 was \$49,537 for pensions and \$8,648 for OPEB. The total employer contributions made for the year ended June 30, 2020 was \$49,660 for pensions and \$8,664 for OPEB.

On June 27, 2008 House Bill 1, the Pension Reform legislation, was signed into law. This legislation significantly impacted retirement benefits for employees who begin participating with KERS on or after September 1, 2008. The law also includes provisions that will affect current employees and retirees. For those employees beginning participation on or after September 1, 2008 they will be required to contribute 5.00% of their annual covered salary. Employers, including ORGF, will continue to be required to contribute an actuarially determined rate. House Bill 1 contained a provision expressing the intent of the General Assembly to gradually increase the employer contributions to KERS beginning July 1, 2010.

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 6 – Retirement and Other Post Employment Benefit Plans (Continued)

Covered employees hired after December 31, 2013, are eligible to participate in a cash balance plan which requires employees to pay a pre-tax 5% rate based on creditable compensation. The employee's account is also credited with a 4% employer pay credit. In addition to the 5% contribution, all active employees participating on or after January 1, 2014 pay a 1% pretax contribution to KERS Insurance Fund. At the end of each fiscal year, interest is paid into the employee's account. The account is guaranteed 4% interest credit on the employee's account balance as of June 30 of the previous year. The employee's account may be credited with additional interest if the five-year average investment return exceeds 4%. At the time of termination, the employee is eligible to either take a refund of the accumulated account balance if vested (five or more years of service), or annuitize their account balance, if eligible for retirement. If the employee terminates employment and requests a refund prior to vesting, the employee is eligible only for the employee's contributions and associated interest, and forfeits the employer pay credit and associated interest.

The Kentucky Employees Retirement System (KERS) Non-Hazardous Plan is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). It is a cost-sharing other postemployment benefits (OPEB) plan. Contribution rates for OPEB for employers and employees are established by Kentucky Revised Statutes. Members participating prior to September 1, 2008 do not contribute to the OPEB plan directly. Instead, assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocation of investment returns. Members hired on or after September 1, 2008 contribute 1% of their official salary. Employer contribution rates are actuarially determined and established in the Budget Bill.

Ten-year historical trend information showing KERS progress in accumulating sufficient assets to pay benefits when due (as well as financial statements and other required supplementary information) is presented in the Kentucky Retirement System's Annual Financial Report (which is a matter of public record). The Commonwealth of Kentucky's Comprehensive Annual Financial Report (CAFR) should be referred to for additional disclosures related to KERS.

Because these financial statements are prepared on the modified cash basis, certain disclosures and financial statement accounts related to GASB 68 and GASB 75 are not applicable and therefore not included in the financial statements or notes to the financial statements. For disclosures related to GASB 68 and GASB 75, see the Commonwealth of Kentucky's CAFR.

In addition to the above defined benefit pension plan, ORGF's employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth of Kentucky. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Commonwealth of Kentucky's CAFR should be referred to for additional disclosures related to the deferred compensation plan.

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 6 – Retirement and Other Post Employment Benefit Plans (Continued)

Pension Information

	Kentucky Employees Retirement System Governance KRS 61.510 through KRS 61.705 Cost Sharing Multiple Employer Defined Benefit Non-Hazardous		
	Tier 1 Participation Prior to 9/1/2008	Tier 2 Participation 9/1/2008 through 12/31/2013	Tier 3 Participation on or after 1/1/2014
Covered Employees:	Substantially all regular full-time members employed in non-hazardous positions of any state department, board, or any agency directed by Executive Order to participate in the system.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No Final Compensation
Benefit Factor:	1.97%, or 2.0% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years).	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Cost of Living Adjustment (COLA):	No COLA unless authorized by the Legislature with specific criteria. This impacts all retirees regardless of Tier.		
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit:	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65 or has less than 27 years of service, whichever is smaller.	Reduced by 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year the member is younger than age 65, or does not meet the rule of 87 (age plus service) and is younger than age 57, whichever is smaller.	No reduced retirement benefit

KENTUCKY RECLAMATION GUARANTY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020
(Continued)

Note 6 – Retirement and Other Post Employment Benefit Plans (Continued)

Other Post Employment Benefit Information

Kentucky Employees Retirement System
Governance KRS 61.510 -61.705
Cost Sharing Multiple Employer Defined Benefit Plan

Plan Administrator: The plan is administered by the Kentucky Employees Retirement System.

Covered Employees: Recipient of a retirement benefit from Kentucky Employees Retirement System are eligible to receive health care benefits.

Benefit Formula: For participation prior to 7/1/2003 hospital and medical insurance premium payments for the retiree and their qualifying dependents is based on years of service (see chart below). If on or after 7/1/2003 but before 9/1/2008 10 years of earned service at retirement is required to be eligible for the insurance benefit. That benefit is \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted annually. The participant must agree to pay the balance of the premium in order to participate.

Traditional Defined Benefit Plan		Hybrid Benefit Plan		Hybrid Benefit Plan	
Participation prior to 7/1/2003		Participation between 7/1/2003 and 8/31/2008		Participation on or after 9/1/2008	
Months of Service	% of premium paid	Months of Service	Premium Payments	Months of Service	Premium Payments
<48	0%	<119	0	<179	0
48 to 119 inclusive	25%	120 or more	\$10 per month for each year of service without regard to a maximum dollar amount adjusted annually	180 or more	\$10 per month for each year of service without regard to a maximum dollar amount adjusted by 1.5% annually
120 to 179 inclusive	50%				
180 to 239 inclusive	75%				
240 or more	100%				

Cost of Living Adjustment (COLA):

Health Insurance Hybrid Benefit Plan receive 1.50% increase contribution each July 1.

Contribution Rate:

Contribution rates for the employer are actuarially determined. The Traditional plan members do not contribute to the OPEB plan directly. Instead assets have been allocated between pension and retiree medical liabilities on the basis of the accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and prorated allocations of investment returns. All Hybrid plan members contribute 1% of their salary.

Publicly available financial report can be accessed at <https://kyret.ky.gov>

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Danielle Crosman, Executive Director
Office of the Kentucky Reclamation Guaranty Fund
300 Sower Blvd.
Frankfort, Kentucky 40601

We have audited, in accordance with the 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 modified cash basis financial statements of the Kentucky Reclamation Guaranty Fund (KRGF) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise KRGF's basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KRGF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KRGF's internal control. Accordingly, we do not express an opinion on the effectiveness of KRGF'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 statements 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.



Danielle Crosman, Executive Director
Office of the Kentucky Reclamation Guaranty Fund
(Continued)

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KRGF's financial statements are 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*.

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

Respectfully submitted,

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

Mike Harmon
Auditor of Public Accounts

September 29, 2020