

**REPORT OF THE AUDIT OF THE  
UNION 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

Independent Auditor's Report

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Adam O'Nan, Union County Judge/Executive  
Members of the Union County Fiscal Court

**Report on the Audit of the Financial Statement**

***Opinions***

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Union County Fiscal Court, for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the Union County Fiscal Court's financial statement as listed in the table of contents.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Union 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 Union 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 the Union County Fiscal Court and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the People of Kentucky  
 The Honorable Andy Beshear, Governor  
 Holly M. Johnson, Secretary  
 Finance and Administration Cabinet  
 The Honorable Adam O'Nan, Union County Judge/Executive  
 Members of the Union County Fiscal Court

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

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

Union 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 Union 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Union County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Adam O'Nan, Union County Judge/Executive  
Members of the Union County Fiscal Court

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

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

**Other Matters**

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Union 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 28, 2025, on our consideration of the Union 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 Union County Fiscal Court's internal control over financial reporting and compliance.

To the People of Kentucky  
The Honorable Andy Beshear, Governor  
Holly M. Johnson, Secretary  
Finance and Administration Cabinet  
The Honorable Adam O'Nan, Union County Judge/Executive  
Members of the Union County Fiscal Court

**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 Union County Fiscal Court's Fourth Quarter Financial Statement Was Misstated
- 2023-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements
- 2023-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements
- 2023-004 The Union County Treasurer Made Cash Transfers Prior To Obtaining Approval
- 2023-005 The Union County Fiscal Court Failed To Notify The State Local Debt Officer Prior To Entering A Financing Obligation
- 2023-006 The Union County Fiscal Court Had Inadequate Controls Over The Reporting Of Liabilities And Debt
- 2023-007 The Union County Fiscal Court Spent Local Government Economic Assistance Funds On Ineligible Expenses
- 2023-008 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collections Of Receipts

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

April 28, 2025



**UNION COUNTY OFFICIALS**  
**For The Year Ended June 30, 2023**

**Fiscal Court Members:**

Adam O'Nan	County Judge/Executive
Rick Wyatt	Magistrate
Jerri Floyd	Magistrate
Jim Ricketts	Magistrate
Dakota Jones	Magistrate
Bo Girtten	Magistrate

**Other Elected Officials:**

Julie Wallace	County Attorney
Jason Newton	Jailer
Garrick Thompson	County Clerk
Jo Sheridan	Circuit Court Clerk
Jason Thomas	Sheriff
Clay Wells	Property Valuation Administrator
Stephen Shouse	Coroner

**Appointed Personnel:**

Lissa Gibson	County Treasurer
Kim Nance	Finance Officer

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

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

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

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

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 2,844,602	\$	\$
In Lieu Tax Payments	75,488		
Excess Fees	206,302		
Licenses and Permits	15,570		
Intergovernmental	501,126	1,625,768	108,290
Charges for Services	364		19,091
Miscellaneous	47,204	9,397	513
Interest	47,044	847	2,486
Total Receipts	<u>3,737,700</u>	<u>1,636,012</u>	<u>130,380</u>
<b>DISBURSEMENTS</b>			
General Government	3,016,269		
Protection to Persons and Property	361,996		811,351
General Health and Sanitation			
Social Services	6,927		
Recreation and Culture			
Roads		2,074,610	
Other Transportation Facilities and Services			
Debt Service		167,481	
Capital Projects			
Administration	642,100	387,440	167,147
Total Disbursements	<u>4,027,292</u>	<u>2,629,531</u>	<u>978,498</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(289,592)</u>	<u>(993,519)</u>	<u>(848,118)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	2,806,475	1,869,293	1,148,206
Transfers To Other Funds	(1,189,433)	(500,000)	
Total Other Adjustments to Cash (Uses)	<u>1,617,042</u>	<u>1,369,293</u>	<u>1,148,206</u>
Net Change in Fund Balance	1,327,450	375,774	300,088
Fund Balance - Beginning	1,158,417	228,793	243,761
Fund Balance - Ending	<u>\$ 2,485,867</u>	<u>\$ 604,567</u>	<u>\$ 543,849</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 2,519,547	\$ 629,400	\$ 546,848
Less: Outstanding Checks	(33,680)	(24,833)	(2,999)
Fund Balance - Ending	<u>\$ 2,485,867</u>	<u>\$ 604,567</u>	<u>\$ 543,849</u>

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

**UNION COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2023**  
**(Continued)**

<b>Budgeted Funds</b>					
<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>County Bond Sinking Fund</b>	<b>County Clerk Permanent Record Storage Fund</b>	<b>Opioid Settlement Fund</b>	<b>Total Funds</b>
\$	\$	\$	\$	\$	\$
					2,844,602
					75,488
					206,302
					15,570
6,674,774	382,392				9,292,350
247,538					266,993
122,600	4,212		17,960	112,094	313,980
49,884		112		56	100,429
<u>7,094,796</u>	<u>386,604</u>	<u>112</u>	<u>17,960</u>	<u>112,150</u>	<u>13,115,714</u>
365,645	300,445		7,896		3,690,255
1,775,354	41,281				2,989,982
1,027,649					1,027,649
715,428					722,355
1,808,509					1,808,509
					2,074,610
335,780					335,780
		84,501			251,982
90,120					90,120
301,854	36,159				1,534,700
<u>6,420,339</u>	<u>377,885</u>	<u>84,501</u>	<u>7,896</u>		<u>14,525,942</u>
<u>674,457</u>	<u>8,719</u>	<u>(84,389)</u>	<u>10,064</u>	<u>112,150</u>	<u>(1,410,228)</u>
500,000	54,415	250,000			6,628,389
(1,965,000)	(2,806,475)	(167,481)			(6,628,389)
<u>(1,465,000)</u>	<u>(2,752,060)</u>	<u>82,519</u>			
(790,543)	(2,743,341)	(1,870)	10,064	112,150	(1,410,228)
2,420,691	2,793,342	3,281			6,848,285
<u>\$ 1,630,148</u>	<u>\$ 50,001</u>	<u>\$ 1,411</u>	<u>\$ 10,064</u>	<u>\$ 112,150</u>	<u>\$ 5,438,057</u>
\$ 1,729,304	\$ 50,001	\$ 43,641	\$ 17,389	\$ 112,150	\$ 5,648,280
(99,156)		(42,230)	(7,325)		(210,223)
<u>\$ 1,630,148</u>	<u>\$ 50,001</u>	<u>\$ 1,411</u>	<u>\$ 10,064</u>	<u>\$ 112,150</u>	<u>\$ 5,438,057</u>

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

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TO THE FINANCIAL STATEMENT**

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**UNION COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Union County includes all budgeted and unbudgeted funds under the control of the Union 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 for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

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

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

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

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

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

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

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

**UNION 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)**

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.

Federal Grants Fund - The primary purpose of this fund is to account for federal grants received and disbursed.

County Bond Sinking Fund - The primary purpose of this fund is to account for debt service requirements of the county.

County Clerk Permanent Record Storage Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the preservation of records within the county clerk's recording department. The primary source of receipts of this fund is the county clerk's collection of storage fees.

Opioid Settlement Fund - The primary purpose of this fund is to account for funds used to combat the county's opioid crisis. Receipts of this fund are received from the state as a result of the state's agreement with major opioid manufacturers and distributors.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, 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.

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.

**E. Union County Elected Officials**

Kentucky law provides for election of the officials listed below from the geographic area constituting Union 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 Union County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff



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

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

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

**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.

**H. Related Obligations and Joint Ventures**

Regional governments or other multi-government arrangements that are governed by representatives from each of the governments that created the organization but are not joint ventures because the participants do not retain an ongoing financial interest or responsibility. Based on this criteria, the following is considered a jointly governed organization of the Union County Fiscal Court:

Four Star Regional Industrial Park

**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 DLG's *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.

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

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2023.

	General Fund	Road Fund	LGEA Fund	Federal Grants Fund	County Bond Sinking Fund	Total Transfers In
General Fund	\$	\$	\$	\$ 2,806,475		\$ 2,806,475
Road Fund	676,812		1,025,000		167,481	1,869,293
Jail Fund	448,206		700,000			1,148,206
LGEA Fund		500,000				500,000
Federal Grants Fund	54,415					54,415
County Bond Sinking Fund	10,000		240,000			250,000
Total Transfers Out	<u>\$ 1,189,433</u>	<u>\$ 500,000</u>	<u>\$ 1,965,000</u>	<u>\$ 2,806,475</u>	<u>\$ 167,481</u>	<u>\$ 6,628,389</u>

Reason for transfers:

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

**Note 4. Leases**

**A. Lessor**

**1. Administrative Office of the Courts (Annex)**

On July 1, 2022, Union County started leasing office space to the Administrative Office of the Courts (AOC). This tenant shall have the option to renew the term of this lease each year. Union County recognized \$134,238 in lease revenue during the current fiscal year related to the lease.

**2. Administrative Office of the Courts (Courthouse)**

On July 1, 2022, Union County started leasing office space to the Administrative Office of the Courts (AOC). This tenant shall have the option to renew the term of this lease each year. Union County recognized \$76,744 in lease revenue during the current fiscal year related to the lease. As of June 30, 2023, Union County's receivable for lease payments has been satisfied.

**B. Lessee**

**1. Copier (Judge/Administrative Assistant)**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments of \$60 are paid. As of June 30, 2023, \$720 of the lease obligation had been satisfied for the current fiscal year.

**2. Copier (Road Department)**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments of \$60 are paid. As of June 30, 2023, \$720 of the lease obligation had been paid for the current fiscal year.

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

**Note 4. Leases (Continued)**

**B. Lessee**

**3. Copier (Jail)**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments of \$30 are paid. As of June 30, 2023, \$360 of the lease obligation had been paid for the current fiscal year.

**4. Copier (Animal Control)**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments of \$60 are paid. As of June 30, 2023, \$720 of the lease obligation had been paid for the current fiscal year.

**5. Copier (Senior Citizens)**

On January 31, 2018, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments of \$211 are paid. As of June 30, 2023, \$2,528 of the lease obligation had been paid for the current fiscal year.

**6. Copier (911)**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of a copier. Monthly payments are due. As of June 30, 2023, \$1,762 of the lease obligation had been paid for the current fiscal year.

**7. Office Chairs**

On February 1, 2022, Union County entered into a three-year lease agreement as lessee for the use of office chairs. Yearly payments of \$927 are due. As of June 30, 2023, \$927 of the lease obligation had been paid for the current fiscal year, with \$927 of the lease outstanding.

**8. Vehicles**

On July 1, 2022, Union County entered into a lease agreement as lessee for the use of vehicles. Monthly payments are due on the various vehicles. As of June 30, 2023, \$88,126 of the lease obligation had been paid for the current fiscal year.

**Note 5. Long-term Debt**

**A. Direct Borrowings and Direct Placements**

**1. Energy Efficiency and Conservation Loan**

On April 17, 2014, a loan agreement was made by and between the Commonwealth of Kentucky, Department for Local Government (DLG), and the Union County Fiscal Court. This agreement provides for a loan in the amount of \$100,000 from the DLG Energy Efficiency and Conservation Revolving Loan Fund of Kentucky to the fiscal court, for the purpose of implementing energy savings measures in county buildings through an energy savings performance contract. Upon event of default, the lesser will have all rights and remedies available under applicable law and declare all lease payments due or to become due.

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

**Note 5. Long-term Debt (Continued)**

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

**1. Energy Efficiency and Conservation Loan (Continued)**

Principal outstanding as of June 30, 2023, was \$12,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal
2024	\$ 10,000
2025	2,500
Totals	<u>\$ 12,500</u>

**2. Vehicles**

On May 16, 2023, a loan agreement was made by and between Kentucky Association of Counties Leasing Trust (KACoLT) and the Union County Fiscal Court. This agreement provides for a loan in the amount of \$400,000 from Magnolia Bank to the fiscal court, for the purpose of a rolling line of credit for the leasing of vehicles. Upon event of default, the lessor may exercise any one or more of the following remedies as to the project, to whichever the event of default pertains:

- a) By appropriate court action, enforce the pledge set forth in Section 2 of the Authorizing Legislation and Section 9 of this lease so that during the remaining lease term there is levied on all the taxable property in the lessee, in addition to all other taxes, without limitation as to rate, a direct tax annual in an amount sufficient to pay the lease payments
- b) by written notice to lessee, enter and take immediate possession of the project
- c) sell or lease the project or sublease it for the account of lessee
- d) exercise any other right, remedy or privilege which may be available to it under the applicable laws of the Commonwealth or any other applicable law or proceed by appropriate court action to enforce the terms of the lease or to recover damages for the breach of this lease or to rescind this lease as to any or all of the project.

While the debt was entered into in the 2023 fiscal year, proceeds were not received until the 2024 fiscal year.

Principal outstanding as of June 30, 2023, was \$400,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 125,045	\$ 22,334
2025	134,055	12,116
2026	<u>140,900</u>	<u>4,352</u>
Totals	<u>\$ 400,000</u>	<u>\$ 38,802</u>

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

**Note 5. Long-term Debt (Continued)**

**B. Other Debt**

**1. Series 2013, General Obligation Improvement Bonds (Road Project)**

On December 3, 2013, the Union County Fiscal Court issued General Obligation Improvement Bonds (Road Project), Series 2013. The bonds were dated December 3, 2013, payable semi-annually on March 1 and September 1, beginning March 1, 2014. The interest rate on the bonds is 2.50% to 3.65%. The purpose of financing is (i) the construction of county roads and road improvements, (ii) accrued or capitalized interest, and (iii) cost of issuance. In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good then, with the written consent of the owners of not less than fifty percent in principal amount of the outstanding bonds, by annulling such declaration and its consequences. In the event of default, each defaulted bonds shall continue to bear interest after maturity at its interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

The balance of the obligation as of June 30, 2023, was \$915,000. Future interest and principal requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 140,000	\$ 28,525
2025	145,000	24,250
2026	150,000	19,544
2027	155,000	14,397
2028	160,000	8,881
2029	165,000	2,991
Totals	<u>\$ 915,000</u>	<u>\$ 98,588</u>

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	\$ 22,500	\$ 400,000	\$ 10,000	\$ 412,500	\$ 135,045
Other Debt	1,050,000		135,000	915,000	140,000
Total Long-term Debt	<u>\$ 1,072,500</u>	<u>\$ 400,000</u>	<u>\$ 145,000</u>	<u>\$ 1,327,500</u>	<u>\$ 275,045</u>

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

**Note 5. Long-term Debt (Continued)**

**D. Aggregate Debt Schedule**

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

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 140,000	\$ 28,525	\$ 135,045	\$ 22,334
2025	145,000	24,250	136,555	12,116
2026	150,000	19,544	140,900	4,352
2027	155,000	14,397		
2028	160,000	8,881		
2029	165,000	2,991		
Totals	<u>\$ 915,000</u>	<u>\$ 98,588</u>	<u>\$ 412,500</u>	<u>\$ 38,802</u>

**Note 6. Employee Retirement System**

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

The county's contribution for FY 2021 was \$755,031, FY 2022 was \$904,587, and FY 2023 was \$951,576.

Nonhazardous

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

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

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

**Note 6. Employee Retirement System (Continued)**

Nonhazardous (Continued)

The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (4%) 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.

Hazardous

Hazardous covered employees are required to contribute eight percent (8%) of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent (9%) of their salary to be allocated as follows: eight percent (8%) will go to the member's account and one percent (1%) will go to the Ky. Ret. Sys insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Members in the plan contribute a set percentage of their salary each month to their own accounts. Hazardous members contribute 8 percent of their annual creditable compensation and 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 Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A hazardous member's account is credited with a 7.5 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

The county's contribution rate for hazardous employees was 49.59 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:

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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

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

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

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

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

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous

Once members reach a minimum vesting period of 15 years, they earn fifteen 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. Upon the death of a hazardous employee, the employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. 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.



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

**Note 6. Employee Retirement System (Continued)**

Other Post-Employment Benefits (OPEB) (Continued)

C. Health Insurance Coverage - Tier 2 and Tier 3 - Hazardous (Continued)

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

D. Cost of Living Adjustments - Tier 1

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

E. 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.

F. 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.

G. Annual Financial Report and Proportionate Share Audit Report

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

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

**Note 7. Deferred Compensation**

The Union 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.

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

**Note 7. Deferred Compensation (Continued)**

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

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

**Note 8. Health Reimbursement Account**

The Union County Fiscal Court established a health reimbursement account in June 2009, to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. The plan provides a debit card to each eligible employee. Employees are provided \$2,400 for single plans and \$4,800 for all other plans each year to pay for qualified medical expenses. The balance of the plan as of June 30, 2023, is \$174,353.

**Note 9. Insurance**

For the fiscal year ended June 30, 2023, the Union 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. Tax Abatement**

The occupational tax was abated under the authority of the Union County Fiscal Court. Ervin Cable Construction is eligible to receive this tax abatement due to their commitment to expand and create jobs for citizens of Union County. The taxes are abated by a rebate paid back to the company. For fiscal year ended June 30, 2023, the Union County Fiscal Court abated occupational taxes totaling \$7,631. As part of the tax abatement agreement, the Union County Fiscal Court committed to rebate the companies a half percent (0.5%) of the wages, salaries, or other compensation paid by the company imposed and levied as occupational license fees otherwise derived by the Union County Fiscal Court from salaries, wages, and other compensation paid to the qualifying new employees hired, for a period of ten years or until the maximum amount allowed under the Kentucky Business Investment Program (KBI) has been rebated, whichever first occurs.

**Note 11. Commitment Debt**

On February 14, 2012, the Union County Fiscal Court entered into an agreement with the City of Sturgis, where the county accepts responsibility for and commits to remitting the semi-annual payments on behalf of the City of Sturgis for the city's state revolving loan to complete the Sturgis Water System/Union County District Consolidation Project. Payments are made December 1 and June 1 to the Kentucky Infrastructure Authority each year. The balance of the obligation on June 30, 2023, was \$877,944.

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

**Note 11. Commitment Debt (Continued)**

Future interest and principal requirements are:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2024	\$ 63,567	\$ 10,776
2025	64,204	9,980
2026	64,847	9,175
2027	65,497	8,362
2028	66,154	7,542
2029-2033	340,853	25,106
2034-2036	<u>212,822</u>	<u>4,675</u>
Totals	<u>\$ 877,944</u>	<u>\$ 75,616</u>

**Note 12. Contingencies**

The county is involved in multiple lawsuits. While individually they may not be significant, in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 2,460,945	\$ 2,460,945	\$ 2,844,602	\$ 383,657
In Lieu Tax Payments	50,200	50,200	75,488	25,288
Excess Fees	222,553	222,553	206,302	(16,251)
Licenses and Permits	14,200	14,200	15,570	1,370
Intergovernmental	1,032,705	1,071,805	501,126	(570,679)
Charges for Services			364	364
Miscellaneous	15,500	15,500	47,204	31,704
Interest	10,800	10,800	47,044	36,244
Total Receipts	<u>3,806,903</u>	<u>3,846,003</u>	<u>3,737,700</u>	<u>(108,303)</u>
<b>DISBURSEMENTS</b>				
General Government	3,624,052	3,555,610	3,016,269	539,341
Protection to Persons and Property	290,685	3,094,273	361,996	2,732,277
Social Services	13,000	13,000	6,927	6,073
Capital Projects	150,000	150,000		150,000
Administration	714,722	699,001	642,100	56,901
Total Disbursements	<u>4,792,459</u>	<u>7,511,884</u>	<u>4,027,292</u>	<u>3,484,592</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(985,556)</u>	<u>(3,665,881)</u>	<u>(289,592)</u>	<u>3,376,289</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		2,747,825	2,806,475	58,650
Transfers To Other Funds	<u>(10,000)</u>	<u>(10,000)</u>	<u>(1,189,433)</u>	<u>(1,179,433)</u>
Total Other Adjustments to Cash (Uses)	<u>(10,000)</u>	<u>2,737,825</u>	<u>1,617,042</u>	<u>(1,120,783)</u>
Net Change in Fund Balance	(995,556)	(928,056)	1,327,450	2,255,506
Fund Balance - Beginning	<u>995,556</u>	<u>995,556</u>	<u>1,158,417</u>	<u>162,861</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 67,500</u>	<u>\$ 2,485,867</u>	<u>\$ 2,418,367</u>

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

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,127,605	\$ 2,127,605	\$ 1,625,768	\$ (501,837)
Miscellaneous	168,981	168,981	9,397	(159,584)
Interest	1,500	1,500	847	(653)
Total Receipts	<u>2,298,086</u>	<u>2,298,086</u>	<u>1,636,012</u>	<u>(662,074)</u>
<b>DISBURSEMENTS</b>				
Roads	1,792,265	2,269,521	2,074,610	194,911
Debt Service	167,481	167,481	167,481	
Capital Projects	80,000	16,252		16,252
Administration	441,500	406,992	387,440	19,552
Total Disbursements	<u>2,481,246</u>	<u>2,860,246</u>	<u>2,629,531</u>	<u>230,715</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(183,160)</u>	<u>(562,160)</u>	<u>(993,519)</u>	<u>(431,359)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds		379,000	1,869,293	1,490,293
Transfers To Other Funds			<u>(500,000)</u>	<u>(500,000)</u>
Total Other Adjustments to Cash (Uses)		<u>379,000</u>	<u>1,369,293</u>	<u>990,293</u>
Net Change in Fund Balance	(183,160)	(183,160)	375,774	558,934
Fund Balance - Beginning	<u>183,160</u>	<u>183,160</u>	<u>228,793</u>	<u>45,633</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 604,567</u>	<u>\$ 604,567</u>



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

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 96,400	\$ 96,400	\$ 108,290	\$ 11,890
Charges for Services	13,000	13,000	19,091	6,091
Miscellaneous	400	400	513	113
Interest	200	200	2,486	2,286
Total Receipts	110,000	110,000	130,380	20,380
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	896,275	928,331	811,351	116,980
Administration	189,000	172,444	167,147	5,297
Total Disbursements	1,085,275	1,100,775	978,498	122,277
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(975,275)	(990,775)	(848,118)	142,657
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	748,700	748,700	1,148,206	399,506
Total Other Adjustments to Cash (Uses)	748,700	748,700	1,148,206	399,506
Net Change in Fund Balance	(226,575)	(242,075)	300,088	542,163
Fund Balance - Beginning	226,575	242,075	243,761	1,686
Fund Balance - Ending	\$ 0	\$ 0	\$ 543,849	\$ 543,849

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

<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 11,076,151	\$ 12,038,072	\$ 6,674,774	\$ (5,363,298)
Charges for Services	144,000	144,000	247,538	103,538
Miscellaneous	94,500	106,800	122,600	15,800
Interest	1,500	4,000	49,884	45,884
Total Receipts	11,316,151	12,292,872	7,094,796	(5,198,076)
<b>DISBURSEMENTS</b>				
General Government	235,275	457,079	365,645	91,434
Protection to Persons and Property	2,381,230	2,442,328	1,775,354	666,974
General Health and Sanitation	549,845	1,073,471	1,027,649	45,822
Social Services	831,575	811,427	715,428	95,999
Recreation and Culture	2,539,950	2,884,191	1,808,509	1,075,682
Roads	525,000	525,000		525,000
Bus Services	90,000	90,000		90,000
Other Transportation Facilities and Services	110,500	339,074	335,780	3,294
Capital Projects	3,722,000	3,453,191	90,120	3,363,071
Administration	288,150	301,985	301,854	131
Total Disbursements	11,273,525	12,377,746	6,420,339	5,957,407
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	42,626	(84,874)	674,457	759,331
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			500,000	500,000
Transfers To Other Funds	(748,700)	(748,700)	(1,965,000)	(1,216,300)
Total Other Adjustments to Cash (Uses)	(748,700)	(748,700)	(1,465,000)	(716,300)
Net Change in Fund Balance	(706,074)	(833,574)	(790,543)	43,031
Fund Balance - Beginning	706,074	766,074	2,420,691	1,654,617
Fund Balance - Ending	\$ 0	\$ (67,500)	\$ 1,630,148	\$ 1,697,648

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

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 831,000	\$ 881,000	\$ 382,392	\$ (498,608)
Miscellaneous		3,581	4,212	631
Total Receipts	831,000	884,581	386,604	(497,977)
<b>DISBURSEMENTS</b>				
General Government	765,565	819,146	300,445	518,701
Protection to Persons and Property	2,789,106	2,789,106	41,281	2,747,825
Administration	65,435	65,435	36,159	29,276
Total Disbursements	3,620,106	3,673,687	377,885	3,295,802
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,789,106)	(2,789,106)	8,719	2,797,825
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			54,415	54,415
Transfers To Other Funds			(2,806,475)	(2,806,475)
Total Other Adjustments to Cash (Uses)			(2,752,060)	(2,752,060)
Net Change in Fund Balance	(2,789,106)	(2,789,106)	(2,743,341)	45,765
Fund Balance - Beginning	2,789,106	2,789,106	2,793,342	4,236
Fund Balance - Ending	\$ 0	\$ 0	\$ 50,001	\$ 50,001

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

<b>COUNTY BOND SINKING FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 241,982	\$ 241,982	\$	\$ (241,982)
Interest			112	112
Total Receipts	241,982	241,982	112	(241,870)
<b>DISBURSEMENTS</b>				
Debt Service	251,982	251,982	84,501	167,481
Total Disbursements	251,982	251,982	84,501	167,481
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(10,000)	(10,000)	(84,389)	(74,389)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	10,000	10,000	250,000	240,000
Transfers To Other Funds			(167,481)	(167,481)
Total Other Adjustments to Cash (Uses)	10,000	10,000	82,519	72,519
Net Change in Fund Balance			(1,870)	(1,870)
Fund Balance - Beginning			3,281	3,281
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,411	\$ 1,411

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

**COUNTY CLERK PERMANENT RECORD STORAGE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Miscellaneous	\$ 31,300	\$ 31,300	\$ 17,960	\$ (13,340)
Total Receipts	31,300	31,300	17,960	(13,340)
<b>DISBURSEMENTS</b>				
General Government	31,300	31,300	7,896	23,404
Total Disbursements	31,300	31,300	7,896	23,404
Net Change in Fund Balance			10,064	10,064
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,064	\$ 10,064

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

<b>OPIOID SETTLEMENT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)
	Original	Final	
			Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>			
Miscellaneous	\$	\$	\$ 112,094
Interest			56
Total Receipts			112,150
<b>DISBURSEMENTS</b>			
Total Disbursements			
Net Change in Fund Balance			112,150
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 112,150

**UNION 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 according to the laws of Kentucky as required by the state local finance officer, 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.

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.

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

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

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**UNION 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 and Land Improvements	\$ 7,493,753	\$ 610,000	\$ 45,000	\$ 8,058,753
Vehicles	2,889,090	432,908		3,321,998
Machinery & Equipment	3,750,305	1,121,950		4,872,255
Infrastructure	47,834,152			47,834,152
 Total Capital Assets	 <u>\$ 61,967,300</u>	 <u>\$ 2,164,858</u>	 <u>\$ 45,000</u>	 <u>\$ 64,087,158</u>

**UNION 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, 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)
Buildings and Building Improvements	\$ 20,000	50
Construction In Progress	\$ 20,000	50
Other Equipment	\$ 20,000	15
Vehicles	\$ 20,000	5
Infrastructure	\$ 20,000	12-50

**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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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

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

The Honorable Adam O'Nan, Union County Judge/Executive  
Members of the Union County Fiscal Court

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 Union County Fiscal Court for the fiscal year ended June 30, 2023, and the related notes to the financial statement which collectively comprise the Union County Fiscal Court's financial statement and have issued our report thereon dated April 28, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008 to be material weaknesses.



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

**Report on Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Union County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, and 2023-008.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Union County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The county's response was 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,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

April 28, 2025



**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

FINANCIAL STATEMENT FINDINGS:

2023-001 The Union County Fiscal Court's Fourth Quarter Financial Statement Was Materially Misstated

The Union County Fiscal Court's fourth quarter financial statement submitted to the Department for Local Government (DLG) for fiscal year end June 30, 2023, was misstated. Disbursements were overstated by \$525,000, and cash transfers were understated by \$167,482. Negative disbursements were erroneously posted instead of transfers in and out of funds for the purchase of road equipment. Also, a debt service payment was recorded twice. Due to the posting errors, the fourth quarter financial statement was misstated, and the financial information reported to DLG did not reflect an accurate financial accounting of the county.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." A thorough review of the receipts and disbursements ledgers is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Union County Fiscal Court strengthen internal controls by reviewing the receipts and disbursements ledgers to ensure the financial activity processed by the finance office is accurately reported on the quarterly financial statements. This will help ensure the financial information submitted to DLG and other users is accurate and complete.

*County Judge/Executive's Response: This is a carryover from FY 22. The county Road Bonds are paid out of the county sinking fund to [bank name redacted], who deposits the payments into a different bank account they hold in the county's name and then pull the payment on the actual due date. Despite the best efforts of the auditors and the treasurer, there doesn't seem to be a different way to post this transaction other than the logging the deposit by [bank name redacted] and the withdraw which makes it appear to be paid twice. The auditors are forced to do a corrective entry.*

2023-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements

This is a repeat finding and was included in the prior year audit report as finding 2022-002. The Union County Fiscal Court's June 30, 2023, audited financial statements were not reported to the Municipal Securities Rulemaking Board (MSRB) by the February 25, 2024, deadline as required by Continuing Disclosure Requirements (CDRs). The county's fiscal year 2023 audit had not been completed as of the fall of 2024.

Per the county treasurer, due to construction and other unforeseen events within the county courthouse, the county delayed the start of the fiscal year-end June 30, 2023, audit. In the fall of 2024, the Auditor of Public Accounts rescinded prior audit approval of the original private sector auditor and started the 2023 audit in November 2024. Additionally, there were no internal controls or oversight to see that the county's CDRs were being met.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements  
 (Continued)

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The untimely completion of the fiscal year-end 2023 audited financial statement and provided to MSRB within the time frame stated in the official statement, may result in a reduction of the county's bond rating, which would cause the county's debt to be more costly to taxpayers. Additionally, this incomplete disclosure to the marketplace could harm potential investors. A bond rating organization has been in contact with the county about its untimely submission of audited financial statements.

Since July 1, 2009, the MSRB has been designated by the Securities and Exchange Commission (SEC) as the recipient of continuing disclosures submitted by the issuers of and other obligated persons with respect to municipal securities under continuing disclosure agreements entered pursuant under Section (B) (5) of SEC's Rule 15c2-12.

Per the continuing disclosure agreement contained within the \$1,995,000 Union County, Kentucky General Obligation Improvement Bonds (Road Project) Series 2013, "the county hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements to the MSRB within 210 days of the completion of the County's fiscal year or at such time as the audited financial statements become available."

Additionally, it is the county's responsibility to enact internal controls over the MSRB submission to ensure that the CDRs are met.

We recommend the Union County Fiscal Court comply with provisions set forth in the official statement of the general obligation bonds by ensuring audits of county financial information are performed timely. Additionally, the fiscal court should enact internal controls to monitor whether the county is meeting its CDRs.

*County Judge/Executive's Response: This is a rollover comment. FY 22 and draft audit FY 23 have been submitted as well as all 4<sup>th</sup> quarter reports in a timely manner. As soon as the completed audits for FY 23 and FY 24 they will be reported.*

2023-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements

---

This is a repeat finding and was included in the prior year audit report as finding 2022-003. During fiscal year 2023, the Union County Fiscal Court failed to implement adequate internal controls over disbursements, causing the following noncompliances to occur:

- An itemized invoice was not maintained for one credit card purchase in the amount of \$1,042.
- Supporting documentation was not maintained for 11 purchases totaling \$8,337.
- Purchase orders were not properly utilized. Of the 51 invoices tested, 14 purchase orders totaling \$1,130,958 were dated after the invoices were received.
- Two invoices totaling \$162,191 were not paid within 30 working days of receipt of the invoice.
- The fiscal court failed to obtain three quotes prior to purchasing two vehicles for a total of \$137,845 using the Finance and Administration Cabinet's Master Agreements.

The fiscal court failed to establish appropriate internal controls over disbursements.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements (Continued)

The fiscal court's failure to establish effective internal controls over disbursements resulted in the instances of noncompliance reflected above. These issues noted above could also result in line items being over budget, claims being paid that are not related to the fiscal court, inaccurate reporting, and misappropriation of assets.

KRS 46.010(1) states, "[t]he Department for Local Government shall prescribe and keep in operation a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state from county, district, and other local officers and agencies." Under KRS 68.210, DLG requires local governments to follow guidelines set forth in the *County Budget Preparation and State Local Finance Officer Policy Manual* (manual) to meet the minimum required reporting for financial statement purposes, which includes a purchase order system for all counties. Each county is responsible for ensuring its purchase order system is executed and working properly. The manual also requires quarterly reports to be submitted by each county to the State Local Finance Officer. On these quarterly reports, encumbrances, which are defined as "the total dollar amount of unpaid purchase orders from the purchase order journal," must be included. According to a memorandum from DLG dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the County Budget Preparation and State Local Finance Officer Policy Manual". Furthermore, "DLG highly recommends that counties accept that practice of issuing POs for payroll and utility claims."

KRS 45A.050(3) requires the Finance and Administration Cabinet to include a provision in all state agency price contracts that "any political subdivision, including cities of all classes, counties, school districts, or special districts, may participate in these contracts to the same extent as the Commonwealth. Any political subdivision may purchase materials and supplies in accordance with a contract for supplies and materials entered into by the Finance and Administration Cabinet[.]" Per the "Extended Description" on page 1 of both Master Agreements number MA-758-2300000797 and MA-758-2300000802, "[i]t will be the responsibility of the agencies utilizing this Master Agreement to obtain quotes from a minimum of three (3) awarded dealers."

KRS 65.140(2), in part, states, "...all bills for goods or services shall be paid within thirty (30) working days of receipts of a vendor's invoice..."

Furthermore, the Union County Administrative Code section 4.6 (C.) states that "[e]ach claim shall be recorded by date, receipt and purchase order number and presented to fiscal court at its next meeting." Section 4.6 (D.) states that "[e]ach order of Fiscal Court approving a claim shall designate the budget fund and classification from which the claim will be paid and each warrant shall specify the budget fund and classification."

The retention and review of adequate supporting documentation for all disbursements is a basic internal control necessary to ensure the accuracy and reliability of financial reports. All vendor invoices and receipts should be maintained, including any additional supporting documentation, and agree to the corresponding purchase order and reports.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements (Continued)

We make the following recommendations to the fiscal court:

- Internal control procedures regarding purchase orders should be strengthened by requiring purchase orders to be issued prior to purchases being made or services rendered in accordance with DLG requirements and KRS 68.210.
- Proper documentation should be maintained for all disbursements to properly support claims.
- All invoices should be paid within 30 working days of receipt, and all invoices should be stamped when received to support this.
- Internal controls should be implemented to ensure that all disbursements that are made in accordance with the Finance and Administration Cabinet's Master Agreements follow all guidelines outlined within.

*County Judge/Executive's Response: As three audit years were completed at the same time this was in FY 22 audit. Immediately corrections were put in place to ensure detailed invoices were sent and that PO dates were checked to compare to the actual invoice dates received.*

2023-004 The Union County Treasurer Made Cash Transfers Prior To Obtaining Approval

During fiscal year 2023, the Union County Treasurer made cash transfers between funds totaling \$6,628,389. Of the ten cash transfers tested, two transfers totaling \$1,125,018 had no documentation that the transfers were approved by the fiscal court.

According to the county treasurer, a large cash transfer was made in October 2022 to the General Fund. In January 2023, it was noted that the funds should have been appropriated and transferred to other funds as well, therefore, the two transfers were made to correct the error. The failure to approve some transfers at subsequent fiscal court meetings was an oversight.

Because cash transfers occurred before being approved by the fiscal court, the county's funds were at an increased risk of being misappropriated.

KRS 46.010(2) requires, "each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements." KRS 46.010(3) requires, "all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires." The approval of cash transfers is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[a]ll transfers require a court order."

We recommend that all cash transfers be presented to and approved by the Union County Fiscal Court prior to being made.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004 The Union County Treasurer Made Cash Transfers Prior To Obtaining Approval (Continued)

*County Judge/Executive's Response: The ARPA funds loss revenue transfer was approved and the total amount of the revenue was transferred to the General Fund. Following that transfer Treasurer Gibson realized a portion of that lost revenue went to the Road and Jail funds. She made a corrective transfer and thought since it was the same money that previously have been approved for transfer a second approval was not necessary.*

2023-005 The Union County Fiscal Court Failed To Notify The State Local Debt Officer Prior To Entering A Financing Obligation

The Union County Fiscal Court entered into a lease agreement in the amount of \$400,000 without giving the proper notification to the State Local Debt Officer (SLDO). According to the county treasurer, the notification to the SLDO was overlooked as part of the process of receiving the lease proceeds. As a result of not notifying the SLDO, the Union County Fiscal Court is not in compliance with KRS 65.117. Additionally, the non-reporting of the debt could affect the fiscal court's allowable debt ratios.

KRS 65.117(1) states, "[n]o city, county, urban-county, consolidated local government, charger county, or special purpose governmental entity as defined in KRS 65A.010 shall enter into any financing obligation of any nature, whether evidenced by not pursuant to KRS 65.7701 to 65.7721 or otherwise, by lease pursuant to KRS 65.940 to 65.956, under which the lease price exceeds two hundred thousand dollars (\$200,000), by bond issuance pursuant to KRS Chapter 66, or any long-term debt obligation of any sort without first notifying the state local debt officer in writing." Additionally, understanding the required notification process prior to issuing debt is a basic internal control necessary to ensure the accuracy and reliability of financial reports and could prevent the county from exceeding the allowable debt limit.

We recommend the Union County Fiscal Court comply with KRS 65.117 and make the proper written notifications to the State Local Debt Officer before entering into any future financial obligations.

*County Judge/Executive's Response: The county entered into a lease agreement with KACO for vehicles that was below the threshold of a debt hearing. This is the first debt the county has had below that threshold and Treasurer Gibson did not realize that the formal letter should have been sent. All renewals of the lease will be sent to DLG.*

2023-006 The Union County Fiscal Court Had Inadequate Controls Over The Reporting Of Liabilities And Debt

The June 30, 2023, outstanding debt balances reported on the fourth quarter financial report were misstated when compared to the actual debt balances confirmed with lenders. Total principal and interest amounts reported on the fourth quarter financial statement were understated by a total amount of \$391,312.

The county failed to implement a strong internal control system over liabilities and debt service, and instead relied on a single person without adequate oversight. Due to the lack of oversight, the principal and interest balances reported to the fiscal court and its regulatory agency on the fourth quarter financial report were materially misstated. This increases the risk that future budget and financial decisions could be made based on inaccurate information.

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-006 The Union County Fiscal Court Had Inadequate Controls Over The Reporting Of Liabilities And Debt (Continued)

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KRS 46.010(2) requires, “each county treasurer, and each county officer who receives or disburses state funds, to keep an accurate account of receipts and disbursements, showing a daily balance of receipts and disbursements.” KRS 46.010(3) requires, “all county officers handling state funds, other than taxes, to make an annual report to the Department for Local Government showing receipts and disbursements, and to make other financial statements as the Department for Local Government requires.” Strong internal controls over the reporting of outstanding debt balances are necessary to ensure the accuracy and reliability of financial reports.

We recommend the Union County Fiscal Court strengthen internal controls over the reporting of outstanding debt balances. Internal controls, such as comparisons of payment amounts and outstanding balances to amortization and payment schedules, should be implemented. We also recommend the county consult with lenders to verify that outstanding debt balances agree with the county’s schedule of leases and liabilities.

*County Judge/Executive’s Response: The lease taken by the county from KACO was started and received in July 2023 and placed in and on FY 2024 Budget and Liabilities ledger. The auditors stated that because the lease was signed in May 2023 even though money had not been received until July it needed to be stated on FY 23 ledger.*

2023-007 The Union County Fiscal Court Spent Local Government Economic Assistance Funds On Ineligible Expenses

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During fiscal year 2023, the Union County Fiscal Court spent \$130,233 in Local Government Economic Assistance (LGEA) monies in the expenditure category “Data Processing”, with the corresponding account code “5057”. This category was not a priority category as outlined in KRS 42.455 and was included in the list of “non-allowable expenditure categories” in the DLG manual. These expenditures were made to pay the IT manager’s salary, as well as for various information technology equipment, materials, subscriptions, and supplies.

Even though the Union County Fiscal Court signed the certification of compliance required by KRS 42.460, the Union County Fiscal Court did not expend LGEA funds for the purpose intended, as noted in this finding.

According to the county treasurer, she was unaware that these expenditures were non-allowable prohibited uses of LGEA funds. As a result, the Union County Fiscal Court was not in compliance with KRS 42.455 and KRS 68.210, and LGEA funds that could have been expended on priority categories were unavailable for use.



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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-007 The Union County Fiscal Court Spent Local Government Economic Assistance Funds On Ineligible Expenses (Continued)

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KRS 42.455(2) states, “[g]rants obtained under this program shall be used for priority expenditures. Thirty percent (30%) of all moneys in the fund shall be spent on the coal haul road system as described in subsection (8) of this section. The remaining seventy percent (70%) of the fund shall be spent on priority categories limited to the following, but in no event shall grants obtained under this program be used for expenses related to administration of government:

- a) Public safety, including law enforcement, fire protection, ambulance service, and other related services;
- b) Environmental protection, including sewage disposal, sanitation, solid waste, and other related programs;
- c) Public transportation, including mass transit systems, streets, and roads;
- d) Health;
- e) Recreation;
- f) Libraries and educational facilities;
- g) Social services for the poor, the elderly, and individuals with disabilities;
- h) Industrial and economic development;
- i) Vocational education;
- j) Workforce training; and
- k) Secondary wood industry development.”

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the DLG’s manual, which states that “KRS 42.455(2)(3)(4) specifically prohibits the expenditure of LGEA funds for the administration of government. ...To simplify the distinction between allowable and non-allowable expenditures, the following account codes shall be used. These are statutory restrictions, and compliance is mandatory.” The subsequent list of “Non-Allowable Expenditure Categories” includes account code 5057 – Data Processing. Strong internal controls including the review of LGEA disbursements for allowability are necessary to ensure compliance with allowable spending categories.

We recommend the Union County Fiscal Court review all LGEA fund expenditures prior to payment to ensure its compliance with both KRS 42.455 and KRS 68.210.

*County Judge/Executive’s Response: Union County hired and started an IT department. Treasurer Gibson asked DLG for the best major code to use for the department and they confirmed using 5145. Union County’s budget has been approved ever since with 5145 in LGEA. According to the DLG manual 5145 is not an LGEA allowable expense, and DLG stated they missed it. Upon the auditors pointing it out, Treasurer Gibson immediately moved the IT department fourth quarter of FY 25 to the General Fund.*

2023-008 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collection Of Receipts

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This is a repeat finding and was included in the prior year audit report as finding 2022-004. The Union County Fiscal Court has internal control deficiencies and noncompliances regarding the collection of receipts. The following findings were noted with Union County Fiscal Court’s collection of receipts:

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

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-008 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collection Of Receipts (Continued)

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- Receipts were not issued for all applicable transactions.
- Receipts collected at Moffit Lake, the Union County Animal Shelter, and the Union County Senior Citizens Center were not deposited on a daily basis.
- Daily collections at the Union County Senior Citizens Center are not prepared on checkout sheets that can be traced to the county's receipts ledger.
- Eight of the 30 occupational tax returns tested, totaling \$63,572, were not deposited timely.

The issues above are due to a lack of oversight of the receipt functions performed by the county treasurer and a lack of documented required procedures.

Due to the lack of oversight and proper procedures over receipts, county funds were left vulnerable to misappropriation and loss. Additionally, the county was not in compliance with KRS 64.840 and KRS 46.010.

KRS 46.010(1) states, "[t]he Department for Local Government shall prescribe and keep in operation a uniform system of accounting and reporting on the receipt, use and handling of all public funds, other than taxes, due and payable to the state from county, district, and other local officers and agencies." Under 68.210, DLG requires local governments to follow guidelines set forth in its *County Budget Preparation and State Local Finance Officer Policy Manual* to meet the minimum required reporting for financial statement purposes, which includes daily check out sheets and daily deposits made intact into a federally insured banking institution. Daily deposits are also a basic internal control necessary to ensure the accuracy and reliability of financial reports, as well as safeguarding the county's assets and those given the responsibility of accounting for them.

KRS 64.840(1) and (2) state that "all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid:

- (a) In cash;
- (b) By a party appearing in person to pay; or
- (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage-paid return envelope and a request for receipt.

One (1) copy of the receipt shall be given to the person paying the fine, forfeiture, tax, or fee and one (1) copy shall be retained by the official for his own records. One (1) copy of the receipt shall be retained by the official to be placed with the daily bank deposit[.]"

Strong internal controls over receipt activities are necessary to ensure compliance with applicable laws and regulations as well as protecting county financial assets.

We recommend the Union County Fiscal Court prepare receipts in accordance with statutes, including occupational taxes and those collected at off-site locations, and deposit collections daily.

*County Judge/Executive's Response: This is a rollover comment from FY 22 and new department ledgers have been put in place to document the daily deposits being turned over to the treasurer.*

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

**UNION COUNTY FISCAL COURT**

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

Appendix A

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2023

The Union County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer