



**Auditor of
Public Accounts
Allison Ball**

Union County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Union County Fiscal Court for the fiscal year ended June 30, 2023. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Union County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement did not follow this format. However, the fiscal court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 116 of 120 fiscal court audits in Kentucky.

Finding: The fiscal court's fourth quarter financial statement was materially 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 did not reflect an accurate financial accounting of the county as reported to DLG.

Recommendations

We recommend the 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 Officials Response

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.

Finding: The fiscal court is not compliant with continuing disclosure requirements

The Union County Fiscal Court's June 30, 2023, audited financial statements were not reported to the Municipal Securities Rulemaking Board (MSRB) on the February 25, 2024, deadline as required by Continuing Disclosure Requirements (CDR). The county's fiscal year 2023 audit had not been completed as of the fall of 2024.

Recommendations

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 CDR.

County Officials Response

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

Finding: The fiscal court had inadequate controls over disbursements

During fiscal year 2023, the fiscal court failed to implement adequate internal controls over disbursements, resulting in the following noncompliances to occur: itemized invoices were not maintained for one credit card purchase, supporting documentation was not maintained for purchases, purchase orders were not properly utilized, invoices were not paid within the timeframe of receipt, and the fiscal court failed to obtain three quotes prior purchasing vehicles using the Finance and Administration Cabinet's (FAC) Master Agreements.

Recommendations

We recommend the fiscal court strengthen internal control procedures regarding purchase orders, maintain proper documentation for all disbursements, pay all invoices within 30 working days of receipt, and implement internal controls to ensure all disbursements are made in accordance with FACC's Master Agreement guidelines.

County Officials Response

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.

Finding: The Union County Treasurer Made Cash Transfers Prior to Obtaining Approval

During fiscal year 2023, the 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, the funds should have been appropriated and transferred to other funds as well, therefore, the two transfers were made to correct the error.

Recommendations

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

County Officials Response

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.

Finding: The fiscal court failed to notify the state local debt officer prior to entering a financing obligation

The 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.

Recommendations

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 Officials Response

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.

Finding: The 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 were understated by a total amount of \$391,312.

Recommendations

We recommend the 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 outstanding debt balances agree with the county's schedule of leases and liabilities.

County Officials Response

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.

Finding: The fiscal court spent local government economic assistance funds on ineligible expenses

During fiscal year 2023, the 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 Budget Manual. These expenditures were made to pay the IT manager's salary, as well as for various information technology equipment, materials, subscriptions, and supplies.

Recommendations

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

County Officials Response

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.

Finding: The fiscal court failed to implement adequate controls over the collection of receipts

The 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: 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, and numerous occupational tax returns were not deposited timely.

Recommendations

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 Officials Response

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.

The audit report can be found on the [auditor's website](#).

