

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

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



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

**Report on the Financial Statement**

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, 2020, 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.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this 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 Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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



To the People of Kentucky  
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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.

### **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 paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Union County Fiscal Court as of June 30, 2020, or changes in financial position or cash flows thereof for the year then ended.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Union County Fiscal Court as of June 30, 2020, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary and Other 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 (supplementary information) and Schedule of Capital Assets (other information) 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.

The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the basic financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

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***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2021, 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 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 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.

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

2020-001 Internal Control Deficiencies Exist Over The Reporting Of Liabilities And Debt

Respectfully submitted,

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

Mike Harmon  
Auditor of Public Accounts

May 25, 2021

**UNION COUNTY OFFICIALS****For The Year Ended June 30, 2020****Fiscal Court Members:**

Adam O'Nan	County Judge/Executive
Rick Wyatt	Magistrate
Jerri Floyd	Magistrate
Jim Ricketts	Magistrate
Jim Byrnes	Magistrate
Joe Clements	Magistrate

**Other Elected Officials:**

Julie Wallace	County Attorney
Shawn Elder	Jailer
Garrick Thompson	County Clerk
Trish Tackett	Circuit Court Clerk
Mickey Arnold	Sheriff
Clay Wells	Property Valuation Administrator
Stephen Shouse	Coroner

**Appointed Personnel:**

Lissa Gibson	County Treasurer
Kim Nance	Finance Officer



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

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

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

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

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 2,449,547	\$	\$
In Lieu Tax Payments	114,499		
Excess Fees	181,038		
Licenses and Permits	15,044		
Intergovernmental	323,788	1,927,703	552,206
Charges for Services			29,611
Miscellaneous	32,657	144,339	10,523
Interest	5,196	7,555	192
Total Receipts	<u>3,121,769</u>	<u>2,079,597</u>	<u>592,532</u>
<b>DISBURSEMENTS</b>			
General Government	2,222,842		
Protection to Persons and Property	101,019		1,066,792
General Health and Sanitation			
Social Services	6,636		
Recreation and Culture			
Roads		1,894,038	
Bus Services			
Debt Service		167,725	
Capital Projects		3,348	
Administration	562,040	257,883	428,250
Total Disbursements	<u>2,892,537</u>	<u>2,322,994</u>	<u>1,495,042</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>229,232</u>	<u>(243,397)</u>	<u>(902,510)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	150,000	167,725	915,000
Transfers To Other Funds	<u>(917,500)</u>	<u>(327,990)</u>	
Total Other Adjustments to Cash (Uses)	<u>(767,500)</u>	<u>(160,265)</u>	<u>915,000</u>
Net Change in Fund Balance	(538,268)	(403,662)	12,490
Fund Balance - Beginning (Restated)	<u>1,384,833</u>	<u>1,555,555</u>	<u>8,429</u>
Fund Balance - Ending	<u>\$ 846,565</u>	<u>\$ 1,151,893</u>	<u>\$ 20,919</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 637,402	\$ 653,008	\$ 23,126
Plus: Deposits In Transit	19,575		
Less: Outstanding Checks	(12,885)	(5,560)	(2,207)
Money Market	<u>202,473</u>	<u>504,445</u>	
Fund Balance - Ending	<u>\$ 846,565</u>	<u>\$ 1,151,893</u>	<u>\$ 20,919</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, 2020**  
**(Continued)**

Budgeted Funds			Unbudgeted Fund	
Local Government Economic Assistance Fund	State Grant Fund	County Bond Sinking Fund	Jail Commissary Fund	Total Funds
\$	\$	\$	\$	\$ 2,449,547
				114,499
				181,038
				15,044
3,795,639				6,599,336
122,709	10,000			162,320
97,183			146,128	430,830
13,302		257		26,502
<u>4,028,833</u>	<u>10,000</u>	<u>257</u>	<u>146,128</u>	<u>9,979,116</u>
178,270				2,401,112
996,643	20,000			2,184,454
371,225				371,225
405,386				412,022
511,759			142,341	654,100
				1,894,038
82,146				82,146
		229,628		397,353
11,829				15,177
182,718				1,430,891
<u>2,739,976</u>	<u>20,000</u>	<u>229,628</u>	<u>142,341</u>	<u>9,842,518</u>
1,288,857	(10,000)	(229,371)	3,787	136,598
		210,192		1,442,917
(29,702)		(167,725)		(1,442,917)
<u>(29,702)</u>		<u>42,467</u>		
1,259,155	(10,000)	(186,904)	3,787	136,598
253,489	10,498	186,905	27,019	3,426,728
<u>\$ 1,512,644</u>	<u>\$ 498</u>	<u>\$ 1</u>	<u>\$ 30,806</u>	<u>\$ 3,563,326</u>
\$ 1,272,409	\$ 498	\$ 2,501	\$ 30,839	\$ 2,619,783
2,225				21,800
(14,912)		(2,500)	(33)	(38,097)
252,922				959,840
<u>\$ 1,512,644</u>	<u>\$ 498</u>	<u>\$ 1</u>	<u>\$ 30,806</u>	<u>\$ 3,563,326</u>

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

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**UNION COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2020**

**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 as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail 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.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grant Fund - The primary purpose of this fund is to account for the ambulance grant received from the state.

County Bond Sinking Fund - The primary purpose of this fund is to account for debt service requirements of the Kentucky Association of Counties Leasing Trust Program (KACoLT) financing obligation and the Commonwealth of Kentucky, Department for Local Government (DLG) financing obligations

**Unbudgeted Fund**

The fiscal court reports the following unbudgeted fund:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**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

**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.

**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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2020, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2020.

	General Fund	Road Fund	LGEA Fund	County Bond Sinking Fund	Total Transfers In
General Fund	\$	\$ 150,000	\$	\$	\$ 150,000
Road Fund				167,725	167,725
Jail Fund	915,000				915,000
County Bond Sinking Fund	2,500	177,990	29,702		210,192
Total Transfers Out	<u>\$ 917,500</u>	<u>\$ 327,990</u>	<u>\$ 29,702</u>	<u>\$ 167,725</u>	<u>\$ 1,442,917</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. Custodial Funds**

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2020 was \$5,393.



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**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 loan agreement provides a loan in the amount of \$100,000 from the DLG Energy Efficiency and Conservation Revolving Loan Fund of Kentucky to the borrower, for the purpose of implementing energy savings measures in county buildings through an energy savings performance contract. Principal outstanding as of June 30, 2020, was \$42,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 10,000	\$
2022	10,000	
2023	10,000	
2024	10,000	
2025	2,500	
Totals	<u>\$ 42,500</u>	<u>\$ 0</u>

**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 country road improvements, (ii) accrued or capitalized interest, and (iii) cost of issuance. The balance of the obligation at June 30, 2020, was \$1,310,000. Annual Debt Service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 130,000	\$ 39,538
2022	130,000	36,125
2023	135,000	32,481
2024	140,000	28,525
2025	145,000	24,250
2026-2029	630,000	45,812
Totals	<u>\$ 1,310,000</u>	<u>\$ 206,731</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**B. Other Debt (Continued)**

**2. Series 2015 General Obligation Refunding Bond - USDA Loan Levee Project**

On May 20, 2015, the Union County Fiscal Court issued General Obligation Refunding Bond (Levee Project), Series 2015. The bonds were dated May 20, 2015, payable semi-annually on January 1 and July 1, beginning July 1, 2015. The interest rate on the bonds is 3.5%. The bonds are being issued by the county for the purpose of providing interim financing for (i) the construction of renovations to the levees located within the geographical boundaries of the county so as to secure a FEMA re-certification, or accreditation of the levees located in the county and continued maintenance thereof so as to maintain FEMA's accreditation; (ii) capitalized or accrued interest, if any; and (iii) paying the cost of issuance of the bonds. The balance of the obligation at June 30, 2020, was \$2,843,359. Annual Debt Service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2021	\$ 42,646	\$ 99,518
2022	44,138	98,025
2023	45,683	96,480
2024	47,282	94,881
2025	48,937	93,226
2026-2030	271,608	439,209
2031-2035	322,584	388,232
2036-2040	383,128	327,687
2041-2045	455,037	255,779
2046-2050	540,441	170,386
2051-2055	641,875	68,942
Totals	<u>\$ 2,843,359</u>	<u>\$ 2,132,365</u>

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

Long-term Debt activity for the year ended June 30, 2020, was as follows:

	Beginning Balance (*Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements*	\$ 55,000	\$	\$ 12,500	\$ 42,500	\$ 10,000
General Obligation Bonds	4,319,563		166,204	4,153,359	172,646
Total Long-term Debt	<u>\$ 4,374,563</u>	<u>\$ 0</u>	<u>\$ 178,704</u>	<u>\$ 4,195,859</u>	<u>\$ 182,646</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

**D. Aggregate Debt Schedule**

The aggregate debt schedule is as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 172,646	\$ 139,056	\$ 10,000	\$
2022	174,138	134,150	10,000	
2023	180,683	128,961	10,000	
2024	187,282	123,406	10,000	
2025	193,937	117,476	2,500	
2026-2030	901,608	485,021		
2031-2035	322,584	388,232		
2036-2040	383,128	327,687		
2041-2045	455,037	255,779		
2046-2050	540,441	170,386		
2051-2055	641,875	68,942		
	<u>\$ 4,153,359</u>	<u>\$ 2,339,096</u>	<u>\$ 42,500</u>	<u>\$ 0</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 (KRS). 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.

The county's contribution for FY 2018 was \$529,586, FY 2019 was \$640,433, and FY 2020 was \$705,505.

Nonhazardous

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

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

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Nonhazardous (Continued)

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

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

The county's contribution rate for nonhazardous employees was 24.06 percent.

Hazardous

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

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

Members in the plan contribute a set percentage of their salary each month to their own accounts. 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 39.58 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, 2020**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

A. Health Insurance Coverage - Tier 1 (Continued)

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

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

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 161.714 with exception of COLA and retiree health benefits after July 2003.

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

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

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

Tier 2 member benefits are covered by KRS 161.714 with exception of COLA and retiree health benefits after July 2003. Tier 3 members are not covered by the same provisions.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

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

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.

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

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, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

KRS Annual Financial Report and Proportionate Share Audit Report

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

KRS 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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**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.

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 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, 2020, is \$166,650.

**Note 9. Insurance**

For the fiscal year ended June 30, 2020, 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 Abatements**

The occupational tax was abated under the authority of Union County Fiscal Court. Homecare Products, Ervin Cable Construction, and Pride Industries are 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, 2020, the Union County Fiscal Court abated occupational taxes totaling \$0. As part of the tax abatement agreement, the Union County Fiscal Court committed to rebate the companies 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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2020**  
**(Continued)**

**Note 11. Prior Period Adjustments**

	<u>General Fund</u>	<u>Jail Commissary</u>
Ending Cash Balance Prior Year	\$ 1,385,333	\$ 34,187
Adjustment:		
Prior Year Adjustment	<u>(500)</u>	<u>(7,168)</u>
Beginning Fund Balance - Restated	<u>\$ 1,384,833</u>	<u>\$ 27,019</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.

**Note 13. 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 Kentucky Infrastructure Authority each year. The balance of the obligation at June 30, 2020, was \$1,064,883. Annual Debt Service Requirements to maturity are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2021	\$ 61,692	\$ 13,119
2022	62,311	12,346
2023	62,936	11,565
2024	63,567	10,776
2025	64,204	9,980
2026-2030	330,803	37,667
2031-2035	347,720	16,520
2036	<u>71,650</u>	<u>672</u>
Totals	<u>\$ 1,064,883</u>	<u>\$ 112,645</u>

**Note 14. Conduit Debt**

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Union County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2020, conduit debt has been issued, but the amount currently outstanding is not reasonably determinable.



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

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

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

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

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,029,265	\$ 2,029,265	\$ 2,449,547	\$ 420,282
In Lieu Tax Payments	2,000	2,000	114,499	112,499
Excess Fees	84,516	133,541	181,038	47,497
Licenses and Permits	14,150	14,150	15,044	894
Intergovernmental	423,175	443,875	323,788	(120,087)
Miscellaneous	17,000	17,000	32,657	15,657
Interest	14,750	14,750	5,196	(9,554)
Total Receipts	2,584,856	2,654,581	3,121,769	467,188
<b>DISBURSEMENTS</b>				
General Government	2,540,823	2,605,478	2,222,842	382,636
Protection to Persons and Property	121,237	137,088	101,019	36,069
Social Services	10,750	10,935	6,636	4,299
Administration	598,412	587,446	562,040	25,406
Total Disbursements	3,271,222	3,340,947	2,892,537	448,410
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(686,366)	(686,366)	229,232	915,598
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	150,000	150,000	150,000	
Transfers To Other Funds	(976,570)	(976,570)	(917,500)	59,070
Total Other Adjustments to Cash (Uses)	(826,570)	(826,570)	(767,500)	59,070
Net Change in Fund Balance	(1,512,936)	(1,512,936)	(538,268)	974,668
Fund Balance - Beginning (Restated)	1,512,936	1,512,936	1,384,833	(128,103)
Fund Balance - Ending	\$ 0	\$ 0	\$ 846,565	\$ 846,565

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Licenses and Permits	\$ 50	\$ 50	\$	\$ (50)
Intergovernmental	1,751,785	2,052,998	1,927,703	(125,295)
Miscellaneous	319,225	319,225	144,339	(174,886)
Interest	4,458	4,458	7,555	3,097
Total Receipts	<u>2,075,518</u>	<u>2,376,731</u>	<u>2,079,597</u>	<u>(297,134)</u>
<b>DISBURSEMENTS</b>				
Roads	1,611,168	2,234,055	1,894,038	340,017
Debt Service	167,725	167,725	167,725	
Capital Projects		3,349	3,348	1
Administration	298,310	271,597	257,883	13,714
Total Disbursements	<u>2,077,203</u>	<u>2,676,726</u>	<u>2,322,994</u>	<u>353,732</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,685)</u>	<u>(299,995)</u>	<u>(243,397)</u>	<u>56,598</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			167,725	167,725
Transfers To Other Funds	<u>(327,990)</u>	<u>(327,990)</u>	<u>(327,990)</u>	
Total Other Adjustments to Cash (Uses)	<u>(327,990)</u>	<u>(327,990)</u>	<u>(160,265)</u>	<u>167,725</u>
Net Change in Fund Balance	(329,675)	(627,985)	(403,662)	224,323
Fund Balance - Beginning	<u>329,675</u>	<u>627,985</u>	<u>1,555,555</u>	<u>927,570</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,151,893</u>	<u>\$ 1,151,893</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 597,300	\$ 597,580	\$ 552,206	\$ (45,374)
Charges for Services	23,000	26,450	29,611	3,161
Miscellaneous	11,500	11,970	10,523	(1,447)
Interest	200	200	192	(8)
Total Receipts	<u>632,000</u>	<u>636,200</u>	<u>592,532</u>	<u>(43,668)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	1,115,155	1,139,325	1,066,792	72,533
Administration	508,415	488,445	428,250	60,195
Total Disbursements	<u>1,623,570</u>	<u>1,627,770</u>	<u>1,495,042</u>	<u>132,728</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(991,570)</u>	<u>(991,570)</u>	<u>(902,510)</u>	<u>89,060</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	<u>976,570</u>	<u>976,570</u>	<u>915,000</u>	<u>(61,570)</u>
Total Other Adjustments to Cash (Uses)	<u>976,570</u>	<u>976,570</u>	<u>915,000</u>	<u>(61,570)</u>
Net Change in Fund Balance	(15,000)	(15,000)	12,490	27,490
Fund Balance - Beginning	<u>15,000</u>	<u>15,000</u>	<u>8,429</u>	<u>(6,571)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 20,919</u>	<u>\$ 20,919</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 2,607,873	\$ 3,076,048	\$ 3,795,639	\$ 719,591
Charges for Services	82,000	82,000	122,709	40,709
Miscellaneous	92,500	92,500	97,183	4,683
Interest	500	500	13,302	12,802
Total Receipts	<u>2,782,873</u>	<u>3,251,048</u>	<u>4,028,833</u>	<u>777,785</u>
<b>DISBURSEMENTS</b>				
General Government	178,600	178,600	178,270	330
Protection to Persons and Property	1,022,226	1,120,168	996,643	123,525
General Health and Sanitation	353,735	423,829	371,225	52,604
Social Services	417,150	430,025	405,386	24,639
Recreation and Culture	297,200	572,903	511,759	61,144
Bus Services	89,000	89,000	82,146	6,854
Capital Projects	338,323	350,153	11,829	338,324
Administration	245,650	215,679	182,718	32,961
Total Disbursements	<u>2,941,884</u>	<u>3,380,357</u>	<u>2,739,976</u>	<u>640,381</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(159,011)</u>	<u>(129,309)</u>	<u>1,288,857</u>	<u>1,418,166</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds		(29,702)	(29,702)	
Total Other Adjustments to Cash (Uses)		<u>(29,702)</u>	<u>(29,702)</u>	
Net Change in Fund Balance	(159,011)	(159,011)	1,259,155	1,418,166
Fund Balance - Beginning	<u>159,011</u>	<u>159,011</u>	<u>253,489</u>	<u>94,478</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,512,644</u>	<u>\$ 1,512,644</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>STATE GRANT FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Charges for Services	\$ 10,000	\$ 10,000	\$ 10,000	\$
Total Receipts	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	20,000	20,000	20,000	
Total Disbursements	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	
Net Change in Fund Balance	(10,000)	(10,000)	(10,000)	
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>10,498</u>	<u>498</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 498</u>	<u>\$ 498</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2020**  
**(Continued)**

	<b>COUNTY BOND SINKING FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest	\$	\$	\$ 257	\$ 257
Total Receipts			257	257
<b>DISBURSEMENTS</b>				
Debt Service	394,853	424,555	229,628	194,927
Total Disbursements	394,853	424,555	229,628	194,927
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(394,853)	(424,555)	(229,371)	195,184
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	177,990	207,692	210,192	2,500
Transfers To Other Funds			(167,725)	(167,725)
Total Other Adjustments to Cash (Uses)	177,990	207,692	42,467	(165,225)
Net Change in Fund Balance	(216,863)	(216,863)	(186,904)	29,959
Fund Balance - Beginning	216,863	216,863	186,905	(29,958)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1	\$ 1



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

**June 30, 2020**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

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

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

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

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

The fiscal court reports the following Schedule of Capital Assets:

	Balance (*Restated)	Additions	Deletions	Ending Balance
Land and Buildings *	\$ 7,699,504	\$ 152,548	\$ 1,092,421	\$ 6,759,631
Other Equipment *	3,145,388	159,140	528,757	2,775,771
Vehicles *	3,851,445	36,929	932,509	2,955,865
Infrastructure	49,007,195			49,007,195
 Total Capital Assets	 \$ 63,703,532	 \$ 348,617	 \$ 2,553,687	 \$ 61,498,462

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

**June 30, 2020**

**Note 1. Capital Assets**

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

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
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

**Note 2. Restatement of Capital Assets Beginning Balance**

	<u>Land and Buildings</u>	<u>Other Equipment</u>	<u>Vehicles</u>
Prior Year Ending Balance	\$ 7,392,825	\$ 2,504,894	\$ 3,277,289
Adjustments:			
Prior Year Errors	<u>306,679</u>	<u>640,494</u>	<u>574,156</u>
Beginning Balance - Restated	<u>\$ 7,699,504</u>	<u>\$ 3,145,388</u>	<u>\$ 3,851,445</u>

**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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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

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

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Union County Fiscal Court for the fiscal year ended June 30, 2020, 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 May 25, 2021.

**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 were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2020-001 to be a material weakness.



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

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Union County's views and planned corrective action for the findings identified in our audit are included 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,

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

Mike Harmon  
Auditor of Public Accounts

May 25, 2021

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

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**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

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

INTERNAL CONTROL - MATERIAL WEAKNESS:

2020-001 Internal Control Deficiencies Exist Over The Reporting Of Liabilities And Debt

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Internal control deficiencies exist over the reporting of liabilities and debt of the Union County Fiscal Court. Outstanding debt as of June 30, 2020, reported on the fourth quarter financial report was \$1,064,883 less than the outstanding debt per debt schedules. Due to a lack of oversight, the amount of outstanding debt reported on the fourth quarter financial report was incorrect and does not agree with outstanding debt on the debt schedules.

Strong internal controls over outstanding debt and liabilities are necessary to ensure accurate financial reporting.

We recommend the Union County Fiscal Court strengthen internal controls over the reporting of debt service payments and outstanding 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 are in agreement with the county's schedule of leases and liabilities. Such practices will strengthen internal controls over liabilities and debt service and ensure that the proper amounts are reported.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: After the third quarter 2021 and in preparing the 21-22 budget, Treasurer Gibson discovered this balance difference herself. The balance error was corrected prior to the audit exit.*

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

**UNION COUNTY FISCAL COURT**

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


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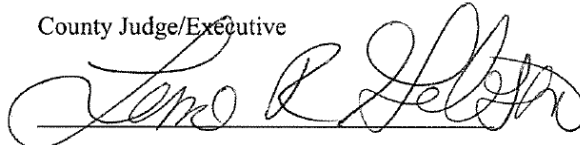
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
COUNTY FISCAL COURT

For The Year Ended June 30, 2020

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