

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

**For The Year Ended  
June 30, 2022**



**ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS  
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CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT .....	1
UNION COUNTY OFFICIALS .....	5
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - REGULATORY BASIS.....	8
NOTES TO FINANCIAL STATEMENT.....	11
BUDGETARY COMPARISON SCHEDULES.....	25
NOTES TO REGULATORY SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES.....	31
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	35
SCHEDULE OF FINDINGS AND RESPONSES.....	39
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

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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, 2022, 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 accompany 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, 2022, 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, 2022, 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 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 judgement, 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 is 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. However, the Union County Fiscal Court did not provide a capital asset schedule to be included in this report. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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:

- 2022-001 The Union County Fiscal Court Failed To Prepare An Accurate Capital Asset Schedule
- 2022-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements
- 2022-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements
- 2022-004 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collection Of Receipts

Respectfully submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

March 24, 2025



**UNION COUNTY OFFICIALS**  
**For The Year Ended June 30, 2022**

**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
Jason Newton	Jailer
Garrick Thompson	County Clerk
Jo Sheridan	Circuit Court Clerk
Mickey Arnold	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, 2022**

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

**For The Year Ended June 30, 2022**

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
<b>RECEIPTS</b>			
Taxes	\$ 2,651,725	\$	\$
In Lieu Tax Payments	57,556		
Excess Fees	245,575		
Licenses and Permits	15,280		
Intergovernmental	413,107	2,002,082	401,635
Charges for Services			16,176
Miscellaneous	72,002	27,092	3,969
Interest	9,086	748	399
Total Receipts	<u>3,464,331</u>	<u>2,029,922</u>	<u>422,179</u>
<b>DISBURSEMENTS</b>			
General Government	2,848,435		
Protection to Persons and Property	113,393		872,858
General Health and Sanitation			
Social Services	7,089		
Recreation and Culture			
Roads		1,822,598	
Bus Services			
Other Transportation Facilities and Services			
Debt Service		166,125	
Capital Projects		249,694	
Administration	645,432	318,438	164,095
Total Disbursements	<u>3,614,349</u>	<u>2,556,855</u>	<u>1,036,953</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(150,018)</u>	<u>(526,933)</u>	<u>(614,774)</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	56,442	666,398	590,000
Transfers To Other Funds	(68,250)	(666,125)	
Total Other Adjustments to Cash (Uses)	<u>(11,808)</u>	<u>273</u>	<u>590,000</u>
Net Change in Fund Balance	(161,826)	(526,660)	(24,774)
Fund Balance - Beginning	1,320,243	755,453	268,535
Fund Balance - Ending	<u>\$ 1,158,417</u>	<u>\$ 228,793</u>	<u>\$ 243,761</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 1,172,384	\$ 235,789	\$ 241,359
Plus: Deposits In Transit	8,596		2,622
Less: Outstanding Checks	(22,563)	(6,996)	(220)
Fund Balance - Ending	<u>\$ 1,158,417</u>	<u>\$ 228,793</u>	<u>\$ 243,761</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, 2022**  
**(Continued)**

<u>Budgeted Funds</u>			
<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>County Bond Sinking Fund</b>	<b>Total Funds</b>
\$	\$	\$	\$ 2,651,725
			57,556
			245,575
			15,280
4,956,121	1,663,334	2,852,574	12,288,853
184,103			200,279
234,433			337,496
4,183		523	14,939
<u>5,378,840</u>	<u>1,663,334</u>	<u>2,853,097</u>	<u>15,811,703</u>
178,796	204,578		3,231,809
2,366,552	2,250		3,355,053
450,340			450,340
506,312			513,401
482,678			482,678
			1,822,598
40,345			40,345
37,472			37,472
		2,983,557	3,149,682
200,510			450,204
224,352	62,086		1,414,403
<u>4,487,357</u>	<u>268,914</u>	<u>2,983,557</u>	<u>14,947,985</u>
<u>891,483</u>	<u>1,394,420</u>	<u>(130,460)</u>	<u>863,718</u>
500,000	8,250	250,781	2,071,871
(1,165,371)	(6,000)	(166,125)	(2,071,871)
<u>(665,371)</u>	<u>2,250</u>	<u>84,656</u>	
226,112	1,396,670	(45,804)	863,718
2,194,579	1,396,672	49,085	5,984,567
<u>\$ 2,420,691</u>	<u>\$ 2,793,342</u>	<u>\$ 3,281</u>	<u>\$ 6,848,285</u>
\$ 2,391,105	\$ 2,793,342	\$ 3,281	\$ 6,837,260
85,425			96,643
(55,839)			(85,618)
<u>\$ 2,420,691</u>	<u>\$ 2,793,342</u>	<u>\$ 3,281</u>	<u>\$ 6,848,285</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENT**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	11
NOTE 2.	DEPOSITS .....	13
NOTE 3.	TRANSFERS.....	14
NOTE 4.	LEASES .....	14
NOTE 5.	LONG-TERM DEBT .....	16
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM .....	18
NOTE 7.	DEFERRED COMPENSATION.....	21
NOTE 8.	HEALTH REIMBURSEMENT ACCOUNT .....	21
NOTE 9.	INSURANCE.....	21
NOTE 10.	TAX ABATEMENTS .....	22
NOTE 11.	COMMITMENT DEBT.....	22
NOTE 12.	CONTINGENCIES .....	22

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2022**

**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, 2022**  
**(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 the 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.

**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, 2022**  
**(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. Jointly Governed Organization**

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 are considered jointly governed organizations of the Union 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.

**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*. On June 30, 2022, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$20,787

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2022.

	General Fund	Road Fund	LGEA Fund	Federal Grants Fund	County Bond Sinking Fund	Total Transfers In
General Fund	\$	\$	\$ 50,442	\$ 6,000	\$	\$ 56,442
Road Fund			500,273		166,125	666,398
Jail Fund	50,000		540,000			590,000
LGEA Fund		500,000				500,000
Federal Grants Fund	8,250					8,250
County Bond Sinking Fund	10,000	166,125	74,656			250,781
<b>Total Transfers Out</b>	<b>\$ 68,250</b>	<b>\$ 666,125</b>	<b>\$ 1,165,371</b>	<b>\$ 6,000</b>	<b>\$ 166,125</b>	<b>\$ 2,071,871</b>

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, 2021, 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 \$144,246 in lease revenue during the current fiscal year related to the lease. As of June 30, 2022, Union County's receivable for lease payments has been satisfied.

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

On July 1, 2021, 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 \$52,908 in lease revenue during the current fiscal year related to the lease. As of June 30, 2022, Union County's receivable for lease payments has been satisfied.

**B. Lessee**

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

On July 1, 2021, 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, 2022, \$360 of the lease had been satisfied for the current fiscal year.

**2. Copier (Road Department)**

On July 1, 2021, 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, 2022, \$720 of the lease had been satisfied for the current fiscal year.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**Note 4. Leases (Continued)**

**B. Lessee (Continued)**

**3. Copier (Jail)**

On July 1, 2021, 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, 2022, \$360 of the lease had been satisfied for the current fiscal year.

**4. Copier (Animal Control)**

On July 1, 2021, 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, 2022, \$720 of the lease had been satisfied for the current fiscal year.

**5. Copier (Senior Citizens)**

On July 1, 2021, Union County entered into a five year lease agreement as lessee for the use of a copier. Monthly payments of \$210 are paid. As of June 30, 2022, \$2,520 of the lease had been satisfied for the current fiscal year, with \$1,470 of the lease outstanding.

Fiscal Year Ended June 30	Total
2023	\$ 1,470
	<u>\$ 1,470</u>

**6. Copier (911)**

On July 1, 2021, 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, 2022, \$360 of the lease had been satisfied for the current fiscal year.

**7. Office Chairs**

On July 1, 2021, 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, 2022, \$927 of the lease had been satisfied for the current fiscal year, with \$1,853 of the lease outstanding.

Fiscal Year Ended June 30	Total
2022	\$ 927
2023	926
	<u>\$ 1,853</u>

**8. Vehicles**

On July 1, 2021, 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, 2022, \$25,206 of the lease had been satisfied for the current fiscal year.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(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 implement 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 dues. Principal outstanding as of June 30, 2022, was \$22,500. Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Principal
2023	\$ 10,000
2024	10,000
2025	<u>2,500</u>
Totals	<u>\$ 22,500</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 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 and June 30, 2022, was \$1,050,000. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 135,000	\$ 32,481
2024	140,000	28,525
2025	145,000	24,250
2026	150,000	19,544
2027	155,000	14,397
2028-2029	<u>325,000</u>	<u>11,872</u>
Totals	<u>\$ 1,050,000</u>	<u>\$ 131,069</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

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

**B. Other Debt (Continued)**

**2. Series 2015, General Obligation Refunding Bonds – 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 of 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 outstanding balance of the bonds was \$0 as of June 30, 2022, as the bonds were paid in full on January 4, 2022.

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

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 32,500	\$	\$ 10,000	\$ 22,500	\$ 10,000
Other Debt	3,980,713		2,930,713	1,050,000	135,000
Total Long-term Debt	<u>\$ 4,013,213</u>	<u>\$ 0</u>	<u>\$ 2,940,713</u>	<u>\$ 1,072,500</u>	<u>\$ 145,000</u>

**D. Aggregate Debt Schedule**

The amount of required principal and interest payments on long-term obligations at June 30, 2022, were as follows:

Fiscal Year Ended June 30	Other Debt		Direct Borrowings and Direct Placements
	Principal	Interest	Principal
2023	\$ 135,000	\$ 32,481	\$ 10,000
2024	140,000	28,525	10,000
2025	145,000	24,250	2,500
2026	150,000	19,544	
2027	155,000	14,397	
2028-2032	325,000	11,872	
Totals	<u>\$ 1,050,000</u>	<u>\$ 131,069</u>	<u>\$ 22,500</u>

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**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 2020 was \$705,505 FY 2021 was \$755,031 and FY 2022 was \$904,587.

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 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 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 Ky. Ret. Sys. 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 member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

The county's contribution rate for nonhazardous employees was 26.95 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 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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

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

Hazardous (Continued)

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 44.33 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:

<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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

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

Other Post-Employment Benefits (OPEB) (Continued)

**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.

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.



**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

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

Ky. Ret. Sys. 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.

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, 2022, is \$215,211.

**Note 9. Insurance**

For the fiscal year ended June 30, 2022, 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.

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2022**  
**(Continued)**

**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, 2022, 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.

**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 Kentucky Infrastructure Authority each year. The balance of the obligation at June 30, 2022, was \$947,880. Future interest and principal requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2023	\$ 62,936	\$ 11,565
2024	63,567	10,776
2025	64,204	9,979
2026	64,847	9,175
2027	65,498	8,362
2028-2032	337,469	29,335
2033-2036	282,359	7,988
Totals	<u>\$ 940,880</u>	<u>\$ 87,180</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.

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

**For The Year Ended June 30, 2022**

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

**For The Year Ended June 30, 2022**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 2,169,225	\$ 2,198,095	\$ 2,651,725	\$ 453,630
In Lieu Tax Payments	52,200	52,200	57,556	5,356
Excess Fees	147,887	177,742	245,575	67,833
Licenses and Permits	14,200	14,200	15,280	1,080
Intergovernmental	1,092,305	1,282,450	413,107	(869,343)
Miscellaneous	15,500	80,500	72,002	(8,498)
Interest	15,800	15,800	9,086	(6,714)
Total Receipts	<u>3,507,117</u>	<u>3,820,987</u>	<u>3,464,331</u>	<u>(356,656)</u>
<b>DISBURSEMENTS</b>				
General Government	3,323,346	3,761,442	2,848,435	913,007
Protection to Persons and Property	112,710	134,457	113,393	21,064
Social Services	11,750	12,710	7,089	5,621
Capital Projects	150,000	11,995		11,995
Administration	696,147	687,219	645,432	41,787
Total Disbursements	<u>4,293,953</u>	<u>4,607,823</u>	<u>3,614,349</u>	<u>993,474</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(786,836)</u>	<u>(786,836)</u>	<u>(150,018)</u>	<u>636,818</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			56,442	56,442
Transfers To Other Funds	<u>(10,000)</u>	<u>(10,000)</u>	<u>(68,250)</u>	<u>(58,250)</u>
Total Other Adjustments to Cash (Uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(11,808)</u>	<u>(1,808)</u>
Net Change in Fund Balance	(796,836)	(796,836)	(161,826)	635,010
Fund Balance - Beginning	<u>796,836</u>	<u>796,836</u>	<u>1,320,243</u>	<u>523,407</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,158,417</u>	<u>\$ 1,158,417</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,497,831	\$ 2,273,472	\$ 2,002,082	\$ (271,390)
Miscellaneous	167,625	177,325	27,092	(150,233)
Interest	3,500	3,500	748	(2,752)
Total Receipts	<u>1,668,956</u>	<u>2,454,297</u>	<u>2,029,922</u>	<u>(424,375)</u>
<b>DISBURSEMENTS</b>				
Roads	1,172,502	2,101,350	1,822,598	278,752
Debt Service	166,125	166,125	166,125	
Capital Projects		249,694	249,694	
Administration	420,500	377,382	318,438	58,944
Total Disbursements	<u>1,759,127</u>	<u>2,894,551</u>	<u>2,556,855</u>	<u>337,696</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(90,171)</u>	<u>(440,254)</u>	<u>(526,933)</u>	<u>(86,679)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			666,398	666,398
Transfers To Other Funds	<u>(166,125)</u>	<u>(166,125)</u>	<u>(666,125)</u>	<u>(500,000)</u>
Total Other Adjustments to Cash (Uses)	<u>(166,125)</u>	<u>(166,125)</u>	<u>273</u>	<u>166,398</u>
Net Change in Fund Balance	(256,296)	(606,379)	(526,660)	79,719
Fund Balance - Beginning	<u>256,296</u>	<u>606,379</u>	<u>755,453</u>	<u>149,074</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 228,793</u>	<u>\$ 228,793</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 75,000	\$ 375,000	\$ 401,635	\$ 26,635
Charges for Services	2,000	2,000	16,176	14,176
Miscellaneous	500	500	3,969	3,469
Interest	100	100	399	299
Total Receipts	<u>77,600</u>	<u>377,600</u>	<u>422,179</u>	<u>44,579</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	702,166	1,015,684	872,858	142,826
Administration	237,750	224,232	164,095	60,137
Total Disbursements	<u>939,916</u>	<u>1,239,916</u>	<u>1,036,953</u>	<u>202,963</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(862,316)</u>	<u>(862,316)</u>	<u>(614,774)</u>	<u>247,542</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	579,316	579,316	590,000	10,684
Total Other Adjustments to Cash (Uses)	<u>579,316</u>	<u>579,316</u>	<u>590,000</u>	<u>10,684</u>
Net Change in Fund Balance	(283,000)	(283,000)	(24,774)	258,226
Fund Balance - Beginning	<u>283,000</u>	<u>283,000</u>	<u>268,535</u>	<u>(14,465)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 243,761</u>	<u>\$ 243,761</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 8,798,800	\$ 9,392,432	\$ 4,956,121	\$ (4,436,311)
Charges for Services	117,000	121,400	184,103	62,703
Miscellaneous	89,000	205,050	234,433	29,383
Interest	1,000	1,800	4,183	2,383
Total Receipts	<u>9,005,800</u>	<u>9,720,682</u>	<u>5,378,840</u>	<u>(4,341,842)</u>
<b>DISBURSEMENTS</b>				
General Government	179,620	179,620	178,796	824
Protection to Persons and Property	2,486,126	2,972,252	2,366,552	605,700
General Health and Sanitation	391,950	505,256	450,340	54,916
Social Services	523,115	574,959	506,312	68,647
Recreation and Culture	1,078,745	1,327,275	482,678	844,597
Bus Services	89,000	89,000	40,345	48,655
Other Transportation Facilities and Services	110,500	110,500	37,472	73,028
Capital Projects	3,700,000	3,722,000	200,510	3,521,490
Administration	258,515	232,931	224,352	8,579
Total Disbursements	<u>8,817,571</u>	<u>9,713,793</u>	<u>4,487,357</u>	<u>5,226,436</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>188,229</u>	<u>6,889</u>	<u>891,483</u>	<u>884,594</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			500,000	500,000
Transfers To Other Funds	(653,972)	(653,972)	(1,165,371)	(511,399)
Total Other Adjustments to Cash (Uses)	<u>(653,972)</u>	<u>(653,972)</u>	<u>(665,371)</u>	<u>(11,399)</u>
Net Change in Fund Balance	(465,743)	(647,083)	226,112	873,195
Fund Balance - Beginning	<u>465,743</u>	<u>647,083</u>	<u>2,194,579</u>	<u>1,547,496</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,420,691</u>	<u>\$ 2,420,691</u>



**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(Continued)**

	<b>FEDERAL GRANTS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,519,553	\$ 1,719,553	\$ 1,663,334	\$ (56,219)
Total Receipts	<u>1,519,553</u>	<u>1,719,553</u>	<u>1,663,334</u>	<u>(56,219)</u>
<b>DISBURSEMENTS</b>				
General Government	85,000	215,000	204,578	10,422
Protection to Persons and Property	2,789,106	2,789,106	2,250	2,786,856
Administration	40,000	110,000	62,086	47,914
Total Disbursements	<u>2,914,106</u>	<u>3,114,106</u>	<u>268,914</u>	<u>2,845,192</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,394,553)</u>	<u>(1,394,553)</u>	<u>1,394,420</u>	<u>2,788,973</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			8,250	8,250
Transfers To Other Funds			(6,000)	(6,000)
Total Other Adjustments to Cash (Uses)			<u>2,250</u>	<u>2,250</u>
Net Change in Fund Balance	(1,394,553)	(1,394,553)	1,396,670	2,791,223
Fund Balance - Beginning	<u>1,394,553</u>	<u>1,394,553</u>	<u>1,396,672</u>	<u>2,119</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,793,342</u>	<u>\$ 2,793,342</u>

**UNION COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2022**  
**(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	\$ 2,850,000	\$ 2,850,000	\$ 2,852,574	\$ 2,574
Interest			523	523
Total Receipts	<u>2,850,000</u>	<u>2,850,000</u>	<u>2,853,097</u>	<u>3,097</u>
<b>DISBURSEMENTS</b>				
Debt Service	3,149,794	3,149,794	2,983,557	166,237
Total Disbursements	<u>3,149,794</u>	<u>3,149,794</u>	<u>2,983,557</u>	<u>166,237</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(299,794)</u>	<u>(299,794)</u>	<u>(130,460)</u>	<u>169,334</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	250,782	250,782	250,781	(1)
Transfers To Other Funds			(166,125)	(166,125)
Total Other Adjustments to Cash (Uses)	<u>250,782</u>	<u>250,782</u>	<u>84,656</u>	<u>(166,126)</u>
Net Change in Fund Balance	(49,012)	(49,012)	(45,804)	3,208
Fund Balance - Beginning	<u>49,012</u>	<u>49,012</u>	<u>49,085</u>	<u>73</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,281</u>	<u>\$ 3,281</u>

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

**June 30, 2022**

**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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**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, 2022, 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 March 24, 2025.

**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 as items 2022-001, 2022-003, and 2022-004 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)

### **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 as items 2022-001, 2022-002, 2022-003, and 2022-004.

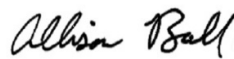
### **Views of Responsible Official and Planned Corrective Action**

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 responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

### **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

March 24, 2025



**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2022**

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**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2022**

FINANCIAL STATEMENT FINDINGS:

2022-001 The Union County Fiscal Court Failed To Prepare An Accurate Capital Asset Schedule

The Union County did not prepare an accurate capital asset schedule for fiscal year ending June 30, 2022. While a list of ending inventory was provided, a complete and accurate schedule documenting beginning balances, additions, and deletions was not maintained.

According to the county treasurer, the county updates an ongoing capital asset document each year, but did not have a schedule for the fiscal year ending June 30, 2022. When trying to prepare a schedule for fiscal year ending June 30, 2022, after the audit was started, the capital asset beginning balances, additions, and deletions were omitted from the schedule due to a lack of understanding by the financial staff of capital asset reporting requirements established by the Department for Local Government. The risk that capital asset balances are not reported accurately significantly increases when capital asset balances are not maintained and updated due to the potential for additions and deletions to not be accounted for properly.

According to the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*, "An annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented." The manual requires the counties to maintain a schedule of additions and retirements or disposals of capital assets in accordance with the county's capitalization policy.

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 failure to maintain an accurate and complete capital asset schedule is a basic internal control necessary to ensure the accuracy and reliability of financial reports.

We recommend the Union County Fiscal Court implement internal controls over capital assets and ensure a complete capital asset schedule is maintained as required by the *County Budget Preparation and State Local Finance Officer Policy Manual*.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County has corrected the capital asset report to match the standards necessary by the state auditor's office.*

2022-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements

The Union County Fiscal Court June 30, 2022 audited financial statements were not reported to the Municipal Securities Rulemaking Board (MSRB) on the February 25, 2023 deadline as required by Continuing Disclosure Requirements (CDR). The county's fiscal year 2022 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 audit for fiscal year ending June 30, 2022. In the fall of 2024, the Auditor of Public Accounts rescinded the prior audit approval of the original private sector auditor and started the 2022 audit in October 2024. Additionally, there were no internal controls or oversight to see that the county's CDR was being met.

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2022  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Union County Fiscal Court Is Not Compliant With Continuing Disclosure Requirements  
(Continued)

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Due to the fiscal year end 2022 audited financial statement not being completed timely and provided to MSRB within the time frame stated in the official statement, a reduction of the county's bond rating could occur, causing 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 Securities and Exchange Commission (SEC) designated the Municipal Securities Rulemaking Board (MSRB) 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 CDR is 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 CDR.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The County has released all fourth quarter statements, and as soon as released copies of the county audits are available they will be submitted to S&P.*

2022-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements

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During fiscal year 2022, the Union County Fiscal Court failed to implement adequate internal controls over disbursements, causing the following non-compliances to occur:

- Itemized invoices were not maintained for three expenditures totaling \$204,697.
- Supporting documentation was not maintained for four purchases totaling \$339.
- Purchase orders were not properly utilized. Of the 47 invoices tested, 20 purchase orders totaling \$702,878 were dated after the invoices were received.
- Encumbrances were listed on the fourth quarter report; however, documentation supporting these amounts was not maintained.
- Bids to provide asphalt to the fiscal court were accepted from multiple vendors.
- Two invoices totaling \$6,215 were not paid within 30 working days of receipt.
- One claim in the amount of \$53,940 was not presented to fiscal court prior to payment.

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2022  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements (Continued)

The fiscal court failed to establish appropriate internal controls over disbursements. 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 cause overbudget line items, payment of claims 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." DLG requires local governments, including counties, 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. The manual requires counties to establish and use a purchase order system. Each county is responsible for ensuring its purchase order system is executed and working properly. The manual also requires each county to submit quarterly reports to the State Local Finance Officer. These quarterly reports must include encumbrances which are defined as "the total dollar amount of unpaid purchase orders from the purchase order journal." 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 178.140 states, "(1) All bids for the construction or maintenance of county roads and bridges shall be received at the time and place specified in the advertisement, and shall be opened publicly at the time of awarding, and the amount of items comprising each bid shall be publicly announced. (2) The contract shall be awarded to the lowest and best bidder, who shall furnish satisfactory security in an amount equal to the amount of the contract in question, to be approved by the county judge/executive of the county."

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 agreed to the corresponding purchase order and reports.

We make the following recommendations to the Union County 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 accurately support claims.
- A list of open purchase orders should be maintained to support all encumbrance amounts included on the fourth quarter report.

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2022  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Union County Fiscal Court Had Inadequate Controls Over Disbursements (Continued)

- Bids should only be awarded to one vendor for the same materials or products.
- All invoices should be paid within 30 working days of receipt, and all invoices should be stamped when received to support this.
- All claims should be presented and approved to fiscal court prior to payment.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The staff responsible for all of the disbursements of the county will through checks and balances together make sure that all invoices have a detailed description, purchase orders are created prior to any purchase being approved, and lastly that all reports approved in court have all claims of all funds listed.*

2022-004 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collection Of Receipts

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The following issues were noted with Union County Fiscal Court's collection and accounting processes over receipts:

- Receipts were not issued for all applicable transactions.
- Receipts collected at Moffit Lake, the Union County Animal Shelter, and the Union County Senior Center were not deposited on a daily basis.
- Daily checkout sheets were not properly completed; therefore, daily collections could not be traced to the county's receipts ledger.
- Of the 25 occupational tax returns tested, three returns totaling \$56,246 were not deposited timely.

The issues above are due to a lack of oversight of the receipt functions performed by the county treasurer and 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." 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) states 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.

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2022  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Union County Fiscal Court Failed To Implement Adequate Controls Over The Collection Of Receipts (Continued)

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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.”

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.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: A better designated daily tally ledger has been created to verify the daily receipts match the cash being turned over.*

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

**UNION COUNTY FISCAL COURT**

**For The Year Ended June 30, 2022**

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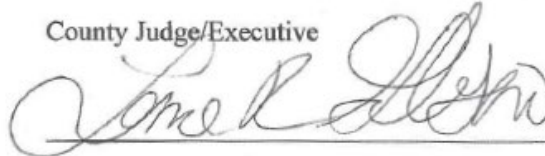
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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